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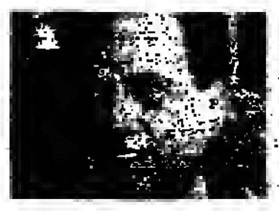


IN SATURDAY'S
Weekend FT
La forza del destino on the political stage

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY MARCH 31/FRIDAY APRIL 1 1994 — D8523A

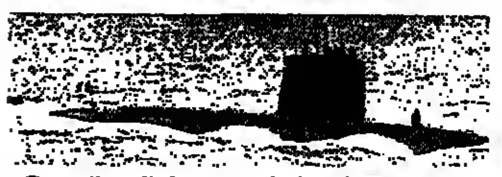
Balladur plans to subsidise jobs for young workers

French prime minister Edouard Balladur is to subsidise youth jobs as the alternative to the wage-cutting law that be abandoned in the face of student protest. A subsidy of FFr1,000 ($175) a month will be paid for the first nine months to any company giving a young worker a first job lasting at least 18 months. Page 16

GKN wins control of Westland: GKN won majority control of Westland after increasing its bostile takeover bid for the UK belicopter manufacturer by 15.5 per cent. Page 17; Lex, Page 16

Gatt target date set: Trade negotiators agreed to make January 1 1995 the target date for implementation of the Uruguay Round trade liberalising accords, committing the leading traders to ratifying the accords this year. Page 4

Ten submariners killed in explosion



Ten sailors died in an explosion aboard the Frencb Rubis class nuclear submarine Emeraude (above) while on duty in the Mediterranean. France is recalling three other submarines of the same class followed unanswered questions about the accident.

Japan's output figure disappoints: Japan's industrial production increased 0.2 per cent in February against the previous montb. The figure disappointed economists wbo had expected a rise of between 0.8 per cent and 3 per cent. Page 6; Japan defends market measures, Page 16

Russian deals to exceed $1bn: US commerce secretary Ron Brown announced a series of deals between US and Russian companies which be said pointed to US investment in Russia greatly in excess of the present $1bn. Page 4

Restructuring pushes Caradon 5% ahead: UK building products and security printing group Caradon came through a year of substantial restructuring witb underlying profits up 5 per cent at £132.2m. Page 17; Lex, Page 16

Interbrew buys Zagreb stake: Belgian brewer Interbrew won the tender to buy a 23.75 per cent stake in Zagreb Breweries, Croatia's largest brewery, with a bid of DM19.5m ($11.7m). Page 20

Rights issue from Stakis: UK hotels and casinos group Stakis capitalised on its recent recovery by announcing a £57m ($97.8m) rights issue to fund its acquisitioo strategy. Page 28

Resignation call at Metallgesellschaft: Angry sbareholders in troubled German metals trading group Metallgesellschaft called for the resignation of supervisory board chairman Ronaldo Schmitz. Page 17; Pre-tax profits np, Page 18

Ocean Group, UK freigbt, environmental and marine services combine, benefited from a streamlined management structure and a favourable dollar exchange rate to post pre-tax annual profits of £44.1m ($64.4m). Page 29

Woolworth, one of the oldest retailers in the US, said it would restate interim financial results for fiscal 1994 amid allegations of accounting irregularities. Page 19

BASF's nylon venture collapses: A plan for Germany's BASF and AlliedSignal of the US to merge parts of their nylon fibre operations into a joint venture has collapsed. Page 17

England humiliated: England's cricketers were bowled out for 46, one run more than their lowest Test score of all time, as West Indies swept to a crushing 147-run victory in the third Test at Trinidad, giving them the five-matcb series.

William Natcher dies: Congressman William Natcher, chairman of tbe US House of Representatives appropriations committee, died aged 84. Page 5

The Financial Times will not be publisbed tomorrow or on Monday April 4. Saturday's edition, including the Weekend FT, will be publisbed as normal.

US closing figures: US commodities, currencies and share prices cannot appear in this edition of the FT this week because summer time in Europe began a week earlier than daylight saving time in the US.

STOCK MARKET INDICES		
FT-SE 100:	3,092.4	(-31.0)
Yield	3.93	
FT-SE Eurotrack 100	1,416.70	(-4.35)
FT-SE-A All-Share	1,566.15	(-0.9%)
Nikkei	19,559.91	(-149.63)
New York lunchtime		
Dow Jones Ind Ave	3,677.71	(-21.31)
S&P Composite	450.11	(-2.37)
US LUNCHTIME RATES		
Federal Funds:	3½%	
3-mo Treas Bills: Yld	3.549%	
Long Bond	89¾	
Yield	7.075%	
LONDON MONEY		
3-mo Interbank	5⅜%	(same)
Liffe long gilt future:	Jun 107¾	(Jun105⅛)
NORTH SEA OIL (Argus)		
Brent 15-day (May)	$13.09	(13.02)
Gold		
NY Comex (Jun) (2pm)	$388.8	(388.5)
London	$386.7	(386.15)

STERLING		
New York lunchtime:		
$	1.4825	
London:		
$	1.479	(1.4927)
DM	2.4829	(2.4889)
FFr	8.4889	(8.5223)
SFr	2.1047	(2.1186)
Y	153.062	(154.639)
£ Index	79.4	(79.8)
DOLLAR		
New York lunchtime:		
DM	1.67385	
FFr	5.724	
SFr	1.4165	
Y	103.05	
London:		
DM	1.6788	(1.6675)
FFr	5.7396	(5.7095)
SFr	1.423	(1.4193)
Y	103.49	(103.60)
$ Index	65.8	(65.6)
Tokyo close Y 103.30		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Alliance haggles as Italy awaits new government

By Robert Graham in Rome

Mr Umberto Bossi, leader of the populist Nortbern League, was under pressure yesterday to drop his reservations about forming a new Italian government with Mr Silvio Berlusconi, the media magnate, and the neo-fascist MSI/National Alliance party of Mr Gianfranco Fini.

Mr Bossi's reluctance is the main hurdle barring formation of a new government after tbe Freedom Alliance obtained 366 of the 630 seats in the general election on Sunday and Monday.

Mr Berlusconi sought to overcome Mr Bossi's objections to the presence of the MSI in a future government in their first meeting since the elections. Afterwards a spokesman for Mr Berlusconi said the meeting had been "positive".

He went on to voice optimism about the early formation of a government comprising the League, Mr Berlusconi's Forza Italia, the MSI and the small breakaway faction of the former Christian Democrats, the Christian Democratic Centre. However, from the limited comment it was clear that serious differences remain between Mr Bossi and his potential partners in government.

Mr Bossi has argued strongly that be formed an electoral alliance with Forza Italia and no other political grouping. The Forza Italia electoral alliance with Mr Fini's MSI did not concern the League, be maintains. Thus he is not obliged to associate in government with the MSI whom be has labelled as "reactionary fascists".

At the same time, Mr Bossi has insisted – at least in public – that a League figure become the next prime minister rather than Mr Berlusconi. Mr Bossi maintains that the premiership should go to the party with the most deputies. The League has 118 against Forza Italia's 101 and the MSI's 105. This, bowever, ignores the support provided by Forza Italia to ensure the election of most League deputies.

While the pressure was on Mr Bossi to drop his reservations, the other political parties made it clear the Freedom Alliance was under an obligation to form the next government. Several political leaders said that if the Alliance had fought the election as a block, then it owed a responsibility to the electorate to form a government now that they had a majority in parliament.

The outgoing government of Carlo Azeglio Ciampi also signalled a degree of impatience with the politicians yesterday. After a cabinet meeting, the government said it hoped to hand over to the new executive "as soon as possible".

As efforts concentrated on the task of forming a new government, the first political fall-out occurred among the losing parties. Mr Mino Martinazzoli resigned as leader of the Popular party (PPI), which evolved from the demoralised Christian Democrat party.

The PPI will now have to decide whether it merges with Mr Mario Segni's Pact. Both draw mainly on the old Christian Democrat vote.

Double-edged sword for financial markets, Page 3

Inquiry is launched into Crédit Lyonnais

Role of ex-chairman to be examined in wake of losses

By Alice Rawsthorn in Paris

Tbe Frencb government yesterday dismissed Mr Jean-Yves Haberer after five months as bead of the Crédit National banking group and announced an official inquiry into the management of Crédit Lyonnais in the period wben be was chairman.

Mr Haberer, 61, served as chairman of Crédit Lyonnais, one of Europe's biggest banks, for five years from 1988, when he was appointed by the former Socialist government. Last November tbe new centre-right administration moved him to the same role at Crédit National, a smaller and less prestigious institution.

His move followed fierce criticism of Mr Haberer's expansionist lending and acquisition strategy at Crédit Lyonnais. The criticism reacbed a climax last week when Mr Jean Peyrelevade, his successor, revealed that the bank had made a net loss of FFr6.9bn ($1.15bn) last year and that the government had agreed to back a FFr44.9bn ($7.5bn) rescue whicb involves a FFr4.9bn cash injection and the creation of a new company to take on FFr40bn of non-performing property loans.

Mr Nicolas Sarkozy, government spokesman, said after yesterday's cabinet meeting tbat ministers bad decided that Mr Haberer sbould not be "left in charge of another public enterprise" given "the depth of the losses and the magnitude of the mistakes" made at Crédit Lyonnais during his chairmanship.

Mr Sarkozy rebuffed criticism of the government's decision to move Mr Haberer to Crédit National by saying that ministers only realised the full extent of Crédit Lyonnais' financial plight last week when they had seen the 1993 accounts and studied Mr Peyrelevade's "thorough analysis" of its position.

The cabinet yesterday yielded to a demand from Mr François Mitterrand, the socialist French president, for a formal inquiry into Mr Haberer's management of Crédit Lyonnais. Mr Haberer on Tuesday called for such an inquiry, claiming be was not solely responsible for Crédit Lyonnais' problems. He said some difficulties were due to actions of previous chairmen and that, in some cases, be had been acting on "recommendations" of the Socialist government.

Libération, the French newspaper, earlier this week publisbed a leaked memo sent to Mr Haberer in 1992 by Mr Michel Sapin, the former Socialist finance minister who is a member of the Bank of France's monetary policy council, expressing concern about Crédit Lyonnais' condition. Mr Pierre Bérégovoy, Mr Sapin's predecessor, bad in 1991 warned Mr Haberer about Crédit Lyonnais' involvement with a takeover bid for MGM, the US movie studio.

Continued on Page 16
Stormy career, Page 18

Zuln supporters of the Inkatha Freedom party move through the township of Bhambayi in the violence-stricken Natal/KwaZuln province. Sonth African president F.W. de Klerk last night appeared ready to impose emergency measures in KwaZulu. Report, Page 6 Picture: AP

Ministers rally to defend Major

By Kevin Brown and Roland Rudd in London

Senior UK cabinet ministers yesterday sought to shore up Mr John Major's bold on Downing Street as backbench support for his leadership haemorrhaged rapidly in the wake of the debacle over enlargement of the European Union.

Mr Kenneth Clarke, the chancellor of the exchequer, Mr Douglas Hurd, foreign secretary, and Mr Michael Heseltine, trade and industry secretary, all issued strong public declarations of support for the prime minister.

But only Mr Hurd ruled himself out as a candidate for the leadership. Mr Hurd, who stood against Mr Major in 1990, said: "I don't regret having had a go but I am not going to have another." The declarations of support did little to cool the feverish atmospbere at Westminster, where centre and leftwing Conservative MPs joined rigbt-wingers in condemning Mr Major's handling of the enlargement negotiations.

Few were prepared to call publicly for the prime minister's resignation. But most said a leadership challenge in the autumn was inevitable unless the Conservatives perform unexpectedly well in the local, European and Commons elections due in the next three months. "Both wings of the party are agreed that John Major will have to go after the June elections," one leading leftwing Tory MP said.

It emerged that informal talks have taken place between the Lollards, tbe main backbench grouping on the left of the party, and the rightwing '92 Group.

Downing Street officials said Mr Major's mood was "robust", and insisted that he was not depressed by tbe almost uniformly hostile media reaction to the enlargement deal accepted by the cabinet on Tuesday.

The prime minister's best hope appeared to be that tempers on the back benches would cool during the 10-day Easter parliamentary recess, which begins today.

A senior cabinet minister said privately, however, that the outlook for Mr Major was bleak unless the mood of MPs has changed dramatically when they return from their constituencies.

The mood of crisis was deepened by the disclosure that two of the four rightwing cabinet ministers who opposed the enlargement deal – Mr Michael Howard, home secretary, and Mr Michael Portillo, chief secretary to the treasury – had breakfasted at Mr Portillo's London home.

Mr Portillo's friends said the pre-arranged breakfast had no connection with the leadership fever. However, it stoked speculation that cabinet right-wingers were intriguing.

Mr Peter Lilley, the rightwing social security secretary, further fuelled the impression of cabinet manoeuvring in a strongly Thatcherite speech praising the "intellectual tide of the 1980s". Mr Lilley, giving the first Specta-

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Snpporters desert an isolated prime minister, Page 7
In peril on stormy seas, Page 14

Wall Street prices slide after guru sees chance of 15% fall

By Patrick Harverson in New York

Wall Street sbare prices fell heavily at the opening of trading yesterday after an influentiel stock market analyst warned that sbare values could fall by as mucb as 15 per cent before the current "correction" is completed.

Ms Elaine Garzarelli, wbose pronouncements bave been closely followed ever since she correctly predicted the stock market crasb in 1987, said the indicators she uses to forecast the market had fallen sharply in recent months.

The Lehman Brothers analyst said: "We feel the odds are about 50-50 that we may already be in the 10 per cent to 15 per cent correctional pbase." She had originally forecast a decline of no more than 10 per cent.

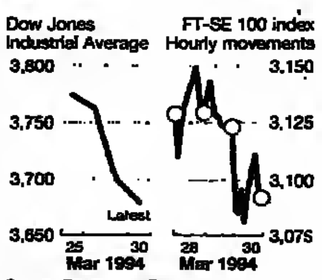
It was clear that many investors took Ms Garzarelli's comments as a sign that they should continue selling stocks. By mid-morning in New York the Dow Joues Industrial Average had fallen by more than 50 points to 3,648.35.

The heavy losses triggered New York Stock Exchange's "circuit-breakers", tbe special rules which limit computerised trading programs during periods of volatility. They helped the market rebound from its lows, and by noon the Dow was down 24.19 at 3,675.83.

But stock prices remained under pressure from fresb declines on the US bond market, where falling prices pushed the yield on tbe benchmark 30-year government bond up to 7.08 per cent, its highest level for 13 months.

London share prices were hit twice by Wall Street yesterday. The Dow's overnight fall knocked 36 points off the FT-SE 100 at the opening.

The index later recovered all but 5.7 points, but then slid to 3,092.4, a net loss of 31, in response to the opening falls on Wall Street.



Source: Datastream/Reuters

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London stocks, Page 31

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

EU to draft work council directive

By David Goodhart, Labour Editor, in London

The months of dialogue between trade unions and employers at European level in search of agreement on the establishment of works councils in European multinationals finally broke down yesterday.

With voluntary agreement between the social partners ruled out, the European Commission will now proceed with a works council directive which is likely to be passed at the end of the year.

The directive will require at least one meeting a year between employer representatives and top management of a company to discuss investment, production plans and redundancies.

It is is likely to affect about 1,000 companies in Europe and become law in most countries in 1996 or 1997.

Works councils have been a matter of controversy between European unions and employers for more than 20 years, with employers insisting that the form of consnltation should be left up to companies.

It had been hoped that a voluntary agreement between Unice, the European employers' hody, and the European Trades Union Congress, might be possible, especially after Unice shifted towards the ETUC position hy accepting the principle of a legal right to information for employees.

But yesterday ETUC said that the withdrawal from the negotiations of the Confederation of Britisb Industry, tbe main British employers' body, had undermined Unice's negotiating authority. The CBI was unhappy about the earlier concessions that Unice made.

Mr John Monks, general secretary of tha British TUC, one of the main affiliates of tbe ETUC, said: "What the employers have now done is make a directive on this inevitable."

The directive is likely to be passed under the German presidency later this year, but will not become law for another two years at least.

It will not directly affect the UK as works councils are covered by Britain's opt-out from the Maastricht Treaty. However, it is estimated that at least 100 UK companies will be affected through their continental European subsidiaries and most of them are likely to include their UK employees.

Elsewhere, the directive will affect all companies with more than 1,000 employees operating in a minimum of two EU countries and with a minimum of 100 in one of the countries.

The directive will provide for voluntary arrangements within companies to be agreed between unions and employers but will have a fall-back statutory model.

That will require meetings of a works council at least once a year, with other meetings triggered hy particular events sucb as mergers or mass redundancies.

The directive will lay down the areas which must be the subject of discussion, the level within the company at which discussions must take place, and minimum and maximum participants.

Statutory European works councils will not be a significant cost item for companies, although they will have to foot the bill for travel and interpreters.

But European companies and employers organisations have long argued that while they agree with the goal of consultating and informing employees tbey believe tbat there sbould be flexibility about how it is achieved.

Unions, on the other hand, have set great store by transnational works councils and see tbem as the first step towards trans-national collective bargaining, a long-standing union goal.

How the British blundered in Brussels

By Lionel Barber in Brussels

Britain's decislon to pick a fight witb her EU partners over voting rights is more than a political disaster for Mr John Major. As the British prime minister battles for survival in London, the view is gaining ground in Brussels that his government's tactics during the enlargement negotiations could turn into a serious long-term diplomatic setback in Europe.

"There's nothing new about Britain being criticised about her attitude to European integration," said one senior Commission official yeaterday. "What's new is that Finland, Sweden, Austria, and Norway thought they had a British friend, but in the end their friend turned out to be Germeny."

Germany is the big winner as a result of enlargement. Vigorous Bonn diplomacy has kept prospects bright for bringing in four wealthy neighbours into the European Union hy January 1, 1995, lightening Germany's hurden as the paymaster of Europe and expanding her role as the power-broker at the beart of the Continent.

As a champion of a wider Europe, Britain was well-placed to take joint credit with Germany for expanding the Union from 12 to 16 new members.

Loser and winner: UK foreign secretary Douglas Hurd (left) should have been main ally of German counterpart Klans Kinkel

However, Mr Douglas Hurd, UK foreign secretary, passed op a mouth-watering opportunity: instead of standing shoulder to shoulder with Mr Klaus Kinkel, his German counterpart, Mr Hurd found himself trapped in all-night arguments in Brussels, arguing a brief in which he had little confidence.

How did this come about? Aside from political misjudgements by the UK cabinet inside Downing Street, it seems that the British Foreign Office fundamentally miscalculated in their assessment of bow their European partners would respond to UK and Spanish demands to preserve voting rules in an expanded Union.

These rules prevent two large countries and one small member state being out-voted, with 23 votes at present needed to muster a "blocking minority".

For the past six months, senior British officials, including Sir John Kerr, the permanent UK ambassador to the EU in Brussels, held out hopes of persuading the large member states to sign up to the 23-vote blocking minority. Ironically, they placed most of their bets on Germany on the grounds that Bonn would agree to almost anything in the interests of keeping enlargement on track.

UK policy rested on five other assumptions.

- France, Spain and Italy would support enlargement, but not if it further distorted the relationship between a country's voting strength and its population.
- Increasing the blocking minority from 23 to 27 would mean that a combination of smaller states could out-vote large states representing 40 per cent of the population, an important democratic principle which the majority of member states would not ignore.
- Most states were at best neutral on voting rights, with ouly federalist Belgium, Holland, and "plucky little Luxembourg" arguing strongly for an increase.
- Rising French and German concern about encroachment by Brussels strengthed the case for making EU decision-making more difficult.

The flaw was that while France and Germany shared many of these doubts, neither wanted to open up the question of power-sharing ahead of the 1996 inter-governmental conference to review the Maastricht treaty. "We don't want another constitutional debate," said one senior French official.

Bonn in particular expressed horror at the idea of linking population to voting weights, because it would mean a more populous Germany acquiring more votes than France, thus jeopardising relations with its closest ally. In one Brussels session, German officials warned the British that they risked stirring up German nationalism in an already sensitive election year.

Lastly, no member atate wanted to be accused of jamming the EU's decision-making. After labouring to ratify Maastricbt, "the memher states are committed to making the treaty work", said a senior EU official.

Mr Peter Ludlow, head of the Centre for European Policy Studies in Brussels, believes that the Foreign Office's misreading of the intentions of her EU partners on the voting rights issue is as serious as any since 1945.

Britain can still claim that though it lost a battle, it may win the war. Voting rights and institutional reform will be tackled "root and branch" at the 1996 conference, combined with planning for a Union of 20-25 member states, including the east Europeans, according to Mr Hurd.

The EU's tilt eastward has already aroused misgivings in France. These may grow as Hungary, Poland, and the Czech Republic press to join the Union by the end of the century, and the Baltic states take encouragement from Chancellor Helmut Kohl's support for their own candidacy.

At this point, Britain is likely to face a choice much more difficult than the argument over voting rights. For all British diplomats' claims that the UK is relaxed about the shift eastward, their views rest on the assumption that "widening" will not mean "deepening". The setback in this round of enlargement means that Britain's hand will be much weaker – and Germany's much stronger – than it might have been ahead of the 1996 review.

Brussels twists knife deeper into UK

By Lionel Barber and David Gardner in Brussels

The European Commission yesterday twisted the knife deeper into tbe UK government, underlining the limited scope of the weekend compromise on voting rights in an expanded European Union.

One day after rebutting Mr John Major's claims to have received assurances on future social policy legislation, the commission issned a puhlic declaration that tbe compromise was not legally binding.

The agreement on rules for allowing a small minority of member states to block EU measures was struck at an informal meeting of EU foreign ministers in Greece.

Yesterday in Brussels, representatives of tbe 12 sealed agreement on entry terms, paving the way for Finland, Sweden, Austria and Norway to join the EU next year.

Brussels said that althougb this was a political agreement entered into "in good faith", botb Britain's partners and the commission could end any prolonged attempt to delay decisions by simple majority.

The commission declaration signalled a mnch more robust tone after months of self-effacement, and it followed a row at a meeting of all 17 Commissioners on Tuesday.

Mr Jacques Delors, commission president, was questioned closely about a private hreakfast meeting with Mr Douglas Hurd, UK foreign secretary, last Sunday in Ionnanina.

Mr Hurd was said to have pleaded with Mr Delors for assurances on social policy legislation in order to win support for the voting rights compromise later presented to the UK cabinet.

These assurances were not forthcoming, and yesterday Britain was still seeking the tightest form of written guarantees it could get.

Commission wrangling over how to treat the UK's demands led to a confrontation between the two Britisb commissioners, Sir Leon Brittan, conservative, and Mr Bruce Millan, a former Labour cabinet minister. Mr Millan accused Sir Leon of complacency about Britain's efforts to circumvent EU rules. This statement prompted a vigorous rebuttal by the senior British commissioner.

The commission noted in its declaration that there would be a fundamental review of institutional questions at the 1996 inter-governmental conference to take account of a possible increase in the Union to more than 20 member states.

"Majority voting will have to be arranged so that the Union can improve its ability to take decisions and act," the commission said.

Member states agreed not to make statements clarifying support for the compromise, but they endorsed the commission position.

The European Union should use its institutional review in 1996 to discuss bow its military capahilities can help Its political aims, the head of the Western European Union defence group said yesterday, Reuter reports from Brussels.

The WEU's secretary-general, Mr Willem van Eekelen, whose organisation might one day become the EU's defence arm, said that "to a certain extent, Maastricht has already been overtaken". He told the European parliament's foreign affairs and security committee that he was "talking about the use of our military capabilities in a wider context to support our political objectives outside Europe".

Mr Van Eekelen said the WEU could take over some operational activities from the EU wbere it was involved in sucb tasks as providing police training in former Yugoslavia.

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EUROPEAN NEWS DIGEST

UN plans peace force for Krajina

UN commanders yesterday discussed plans for the deployment of peacekeepers along the 1.000-mile confrontation line between Croatian and Serb forces in the breakaway state of Krajina after the two sides signed a ceasefire agreement.

International mediators see the agreement as a key step towards hammering out an overall settlement in the Balkans. It marked the formal end to the six-month war in 1991, when Serh forces carved out their own state in Krajina in defiance of Croatian independence.

But peace mediators made clear thet agreement would pave the way for peace in the region, only if it were followed by economic and political accords on the status of Krajina, which cuts Croatia in two. Mr Vitaly Churkin, the Russian epecial envoy to former Yugoslavia, said it was "only a beginning of the road toward peace and normalisatioo of relations between Serbs and Croats". After 18 bours of talks, and considerable pressure from the Russian, US, UN and EU envoys, the two sides endorsed 35 maps determining the frontlines in Croatia. The agreement calls for a ceasefire to come into force on April 4 and the withdrawal of heavy weapons 20km from the confrontation lines hy April 5. *Laura Silber, Belgrade.*

Lithuania fixes exchange rate

Lithuania decided yesterday to peg its litas currency to the US dollar in an attempt to attract more foreign investment and pave the way for full convertibility, a government spokesman said. The litas was set at four to the dollar from April 1, a compromise between exporters who wanted a lower rate of around 4.2 and economists who preferred 3.8-3.9. Lithuania is the second of the three Baltic republics to fix its exchange rate. Estonia has pegged its kroon at eight to the D-Mark since it was introduced in 1992. Lithuanian currency trading has been in turmoil since parliament voted on March 17 to link the litas to either the dollar or the D-Mark. The daily Respublika newspaper said the authorities had sold $10m in the past week to defend the litas. Commercial bankers were critical of the decision to tie the litas, saying it was unnecessary and would disrupt the currency's stability. The prime minister, Mr Adolfas Slezevicius, defended the move on television, saying it would enable foreign investors to forecast accurately the exchange rates they would be dealing with. *Reuter, Vilnius.*

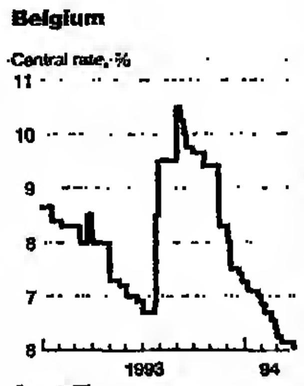
EU boosts duty-free allowance

European travellers will from tomorrow be allowed to bring almost four-times more goods into the European Union from other non-EU countries such as Turkey or the US, the European Commission said yesterday. The new allowance raises the monetary limit on goods purchased at duty-free shops outside the union from Ecu45 (£34) to Ecu175. The decision had been taken as part of a general reform of the European customs system, which is seeking to give European consumers greater freedom to bring in tax-free goods for personal consumption. The allowance for duty-free goods bought within the union has been doubled to Ecu90, although the numerical quotas for cigarettes and alcohol brought into the union from non-EU countries will remain the same. *Gillian Tett, Brussels.*

ECONOMIC WATCH

Belgium trims key interest rates

Belgium



Source: FT

Belgium yesterday became the latest country to follow the downward trend in European interest rates by trimming two of its key money market rates. The central bank cut its central rate from 6.15 per cent to 6.05 per cent and its end-of-day rate to 7.55 per cent from 7.65 per cent. The central rate is an overnight lending rate for primary dealers of government debt. The end-of-day rate is an overnight lending rate for all other banks. The Belgian cut follows the fall in the German repo rate from 5.80 per cent to 5.76 and analysts are confident of further falls. "There has been greater political stability, the Belgian hudget control has been completed and we have had business surveys showing a big increase in confidence," said Mr Peter Praet, chief economist at Générale de Banque. *Gillian Tett, Brussels.*

■ West German construction will experience a 1.5 per cent rise in activity this year after a 0.5 per cent decline in 1993.

■ French retail sales fell an estimated 3.8 per cent last November compared with the average of the three previous months.

Greece sees crisis in Italy soon

Greek European Affairs Minister Theodoros Pangalos has predicted impending political crisis and instability in Italy following this week'e general election, Renter reports from Athens.

Mr Pangalos, known for his frank, ontspoken manner which in the past has upset some of Greece's European Union partners, was speaking in an interview with state television channel ET2 which was held on Tuesday and made available to Reuters.

"We are entering a period of crisis, of instability in Italy. This is very unpleasant not only because we are neighbours of this great country with which we have traditionally had good relations, hnt also because we will have among us, especially in the Enropean Union, a government with no power," he said.

He said the victory of the Freedom Alliance, in which tycoon Silvio Berlusconi's Forza Italia party has the most seats, was based on the "magic of the media and popnlist preachings on morality, happiness and the liberation of citizens from taxes".

"This populist alliance won the election," Mr Pangalos said. "It is indeed an extreme example of how the law of the media rules."

He said he could not see how Berlusconi's group of parties could form a solid majority. The Italian election result showed Europeans "tend to turn to dead-end solntions" when faced with social, economic and cnltural impasses.

Russia to build up ties to Crimea

By Leyla Boulton in Simferopol, Crimea

In what may, paradoxically, presage an easing of tensions between Moscow and Kiev, Russia is likely to begin providing much more active support for Crimea's efforts to loosen Ukraine's grip over it after the Russian-dominated peninsula voted at the weekend for much closer ties with Russia.

Moscow's new Crimean policy would involve building closer economic ties – for instance making it easier for Russian banks to open in Crimea to help it develop tourism – and pushing for a settlement to the tug-of-war over the Black Sea Fleet, headquartered in the closed Crimean port of Sevastopol.

"Russia has its sphere of special interests whether people like it or not," said Mr Konstantin Zatulin, head of the Russian parliament's committee for relations with the CIS and Russians living abroad. "There are some places Russia simply cannot walk away from."

He said he had the impression that the city and the fleet would never agree to share the 100-ship fleet with Ukraine despite a breakdown in negotiations over its transfer to Russia.

Mr Victor Semyonov, head of Sevastopol's city council, says it sees its future only with Russia because it needed subsidies and stability to develop economically after decades of isolation as a closed city. Its ailing infrastructure means for instance that it will receive just two hours of water a day starting from tomorrow.

The likelihood of a deal, rather than confrontation, with Ukraine after an 80 per cent "yes" vote in an "opinion poll" proposing a special treaty between Crimea and Ukraine, dual citizenship, and special powers for Crimea's president, has even been lent some credence by Ukrainian President Leonid Kravchuk.

Mr Kravchuk, who earlier issued a decree outlawing the opinion poli as a referendum in disguise, has since told a Crimean newspaper that he favoured giving Crimea "maximum economic independence" while preserving Ukraine's territorial integrity. He also said Mr Yevgeny Sahurov, a Moscow economist whom the new Crimean president wants to appoint his prime minister, would be able to receive Ukrainian citizenship in order to qualify for the joh.

Crimea was given to Ukraine in 1954 when both were part of a single Soviet state but it has sparked fears of a conflict ever since the two became independent two years ago.

Uncertainty hits Italian markets

By Antonia Sharpe

The accuracy of the Italian rumour mill has proved to be a double-edged aword for the Italian government bond market. On Monday, before the official results of the election were made public, both the bond and stock markets rallied aharply on speculation that Mr Silvio Berlusconi's right-wing Freedom Alliance wonld achieve an outright victory in the lower house, the Chamber of Deputies.

The June contract of the 10-year Italian government bond future on Liffe, which is seen to be a good barometer for the underlying cash market, surged by nearly three points to 112.67 on Monday, hut since then it been unable to huild on these gains. Yesterday afternoon the contract traded at 111.27, up just over one point on the day.

Analysts hold out three reasons for the market's failure to make further gains in the wake of the elections. Firstly, the sharp gains achieved at the start of the week and the strength of the lira against the D-Mark has prompted a wave of profit-taking by speculators who had bought Italian bonds in the weeks leading np to the election in the hope that Mr Berlusconi would come out on top.

"These professionals are closing out their positions and this will put downward pressure on bonds and the lira," says Mr Troy Bowler, international strategist at PaineWeber in London.

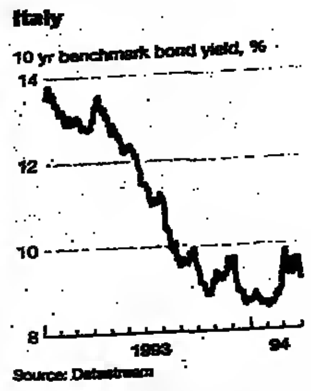
Secondly, the market could face np to three weeks of uncertainty as Mr Berlusconi attempts to iron ont differences between his two coalition partners, the Northern League and the MSI/National Alliance, in order to form a strong and permanent government.

Thirdly, the bond market is worried about the possible adverse effects of Mr Berlusconi's tax-cutting policies on Italy's runaway budget deficit and on inflation, which could in turn force up interest rates. Mr Bowler notes that Italy'e hudget deficit for 1994 has already overshot its target of L145 trillion (£58.7bn) by L15 trillion. "It is not clear whether there is the political will to present a mini-budget in order to bring the deficit back on target," says Mr Bowler.

Other analysts believe that although the political uncertainty is far from resolved, the risks are still worth taking. Mr Julian Jessop, international economist at Midland Global Markets in London, says that the most likely scenario is that Mr Umberto Bossi, the leader of the Northern League, will come to an agreement with Mr Berlusconi. "A good general rule with any politician is to watch what they do and where their interests lie and not what they say," says Mr Jessop.

Mr Jessop also believes that a right-wing government is not a threat to economic reform and that in some aspects, such as privatisation, reform could be accelerated. "Once attention returns to economic fundamentals, Italian assets will look increasingly attractive," Mr Jessop says.

Italy



Source: Datastream

Associated Press
WINNERS: Alessandra Mussolini, grand-daughter of the fascist dictator and a National Alliance deputy, with the leader of the far right party, Gianfranco Fini

Rome defends decision on mobile phones

By John Simkins in Milan

The Italian government was forced yesterday to defend its decision to announce on election night that Omnitel-Pronto Italia, led by Olivetti, had won the licence for the new Europe-wide GSM mobile telecommunications contract.

Mr Maurizio Pagani, postal services minister, said the decision had been made according to transparent technical guidelines "independent of the elections".

He said the decision had to be taken considering that the government's technical advisers had already delivered their report.

Mr Pagani's intervention followed criticism from some politicians about the timing, including from within Forza Italia, led by Mr Silvio Berlusconi. The Fininvest holding company of Mr Berlusconi was among the members of Unitel, the losing consortium.

On the Milan stock market yesterday Olivetti's share price fell 2.69 per cent to L2,604. However, this may partly have been prompted by profit-taking and it was not clear that the decision could be reviewed.

Mr Gianni Agnelli, chairman of Fiat which was also in the losing consortium, said he "did not have problems" with *Omnitel-Pronto Italia's victory.*

Uruguay Round target date set for January 1995

By Frances Williams in Geneva

Sutherland: worried by Washington's moves on worker rights Reuter

Top trade negotiators yesterday agreed to make January 1 1995 the target date for implementation of the Uruguay Round trade liberalising accords, committing the leading trading nations to ratifying the accords this year.

The date will be formally endorsed by ministers next month when they meet in Marrakesh to sign the General Agreement on Tariffs and Trade agreements.

Continued wrangling over a US demand for labour rights to go on the agenda for future trade talks prevented approval of a draft ministerial declaration. The row is also blocking agreement on setting up a preparatory committee to manage the transition between the Uruguay signing and establishment of a new World Trade Organisation next year.

Mr Peter Sutherland, director-general of Gatt said yesterday he stood ready to call a meeting of senior trade officials next week to try to resolve the worker rights issue ahead of the Marrakesh meeting on April 12-15.

The matter did not pose a threat to the signing of the Uruguay Round agreements, but Mr Sutherland said it would be "very unfortunate" not to have consensus on the ministerial declaration. In a reference to a potential North-South split in the WTO, he warned that failure to resolve the problem could create "a divided attitude in regard to future developments".

Earlier Mr B K Zutshi, India's Gatt ambassador, told the 121-strong trade negotiations committee that the worker rights issue had "menace and destructive potential" for undoing what had been built in the Uruguay Round and threatened the foundations of the multilateral system.

Despite the united opposition of developing countries, and lack of support from other industrialised nations, US officials say Washington remains committed to a reference to worker rights in the ministerial declaration.

Mr Sutherland, worried by the US move which surfaced unexpectedly last week, said there had been broad assent to his proposal in January that discussion of new issues be postponed until after tha Marrakesh meeting.

China plans to phase out quotas on imports

By Tony Walker in Beijing

China has announced plans to phase out quota restrictions on most categories of imports by 1997 as part of a continuing effort to satisfy requirements for resumption of membership of the General Agreement on Tariffs and Trade.

The ministry of foreign trade and economic co-operation (Moftec) said yesterday a removal of quotas imposed on some 50 import items would be carried out in three-stages. "Within the next three years China will gradually cancel licenses for most of the existing 53 categories that still require an import license," the ministry said.

In the past five years, an official noted, China had progressively cancelled import quotas and reduced tariffs on a wide range of items. Western officials, responsible for monitoring China's efforts to comply with requirements for Gatt entry, described the latest announcement as a "further step forward", but said China still had "some way to go."

At a meeting in Geneva earlier this month, Gatt members expressed support for China's re-entry, but also made clear they would require further evidence of trade liberalisation.

Western countries are calling for greater transparency in Chinese trade regulations, improved market access to China for foreign service companies such as banks, and more commitment in combating infringements against intellectual property rights.

China was a founding member of Gatt, but withdrew after the Communists came to power in 1949. Beijing has been seeking to re-enter the organisation since 1986.

It has made no secret of its desire to become a founder member of the World Trade Organisation when it supercedes Gatt in 1995.

China was an active participant in the Uruquay talks, and one of its senior trade officials will travel to Morocco next month to sign the Uruguay Round package.

● AP Moller, the Danish shipping group which operates one of the world's largest global container-shipping operations under the Maersk Line name, has been given permission to set up in China, the group said yesterday, reports Hilary Barnes from Copenhagen.

Safeguards sought for third world

By Shiraz Sidhva in New Delhi

A summit of the Group of 15 most influential developing countries yesterday called for a monitoring mechanism to protect the interests of developing countries in implementation of the new Gatt accord.

The G15 leaders criticised attempts by the developed countries to bypass multilaterally agreed frameworks for trade liberalisation by resorting to unilateral action bsed on environmental and social concerns.

"We look to the World Trade Organisation [successor to Gatt] as a guarantor of the rights of the weaker trading partners and as a safety net against arbitrary, unilateral and discriminatory protectionist action," said Indian prime minister P V Narasimha Rao.

Cocom: demise of yet one more cold war warrior

Nancy Dunne writes the obituary of a secretive group dedicated to keeping dangerous technology in the West

Cocom, the secretive Paris-based group formed in 1947 to keep equipment and technology out of the hands of communist regimes, today will become history along with other Cold War anachronisms.

For weeks its members have been struggling to agree the shape and powers of a successor organisation. If the deadline tonight passes without agreement, the old lists of banned items stay in place; but enforcement is likely to be at the discretion of national governments.

The US wants the successor to the co-ordinating committee on multilateral controls to attempt to control the export of dual use technology – items like computers, telecommunication equipment and chemicals – and conventional arms to "rogue regimes" or considered likely to develop, perhaps aven use, weapons of mass destruction.

The US also wants a new organisation to include only those countries, most of them in the industrialised world, that participate in the three other international proliferation control regimes: the Missile Technology Control Regime, the Chemical Weapons Convention and tha Nuclear Suppliers Group. These were formed in the past ten years as it became clear the emphasis on export controls was shifting away from the perceived communist threat towards such mavericks as Iran,Iraq and North Korea.

Russia and other former Communist countries, which it had been thought might join, are unlikely to be in at the beginning, a move perhaps reflecting concern about the region's stability. However, their aid will be sought in the non-proliferation afforts, according to Mr William Reinsch, the commerce department under secretary in charge of US export controls.

In contrast to its controversial passing, Cocom's birth was comparatively easy. The US had most of the world's advanced weapons and technology, and its companies had little interest in alien markets. Europe was still ravaged by war. Memories of World War II were fresh and fed unity against the communist threat.

Members have yet to agree on the shape and powers of a successor

Even as Europe and Japan recovered, Cocom had a virtual monopoly on commercial dual-use technologies. "There was a common understanding and a political will to treat problem countries as a direct threat to Western security," said Mr William Reinsch, the Commerce Department official in charge of export controls.

Cocom was a little known organisation when the Soviet Union invaded Afghanistan in 1979. The US learned then that trade weapons, when applied unilaterally, had their limits: when President Jimmy Carter slapped a wheat embargo on the Soviet Union, US allies and competitors took the market for themselves.

Export licensing – more onerous in the US than elsewhere – was costing US companies contracts. They were being challenged everywhere by strong European and Japanese competitors.

But in 1981, the Reagan Administration began to beef up enforcement of unilateral US controls and at the same time, he sought to strengthen Cocom. Mr Paul Freedenberg, a commerce department undersecretary at the time, says the US was "overbearing and imperial" in its demands. The resentment which resulted may have sown the seeds of Cocom's demise.

"The problem is we do have some risks out there, and we need international co-operation," says Mr Freedenberg.

Countries – such as Iraq, North Korea and Iran – seeking to develop mass destruction capabilities can usually find other supplies or can manufacture the items themselves. "It is useless to maintain long lists of controlled items when they are readily available from numerous suppliers outside the regimes," says Mr Reinsch. Instead, he said, the US wants items which are critical for weapons and can be effectively blocked by multilateral co-operation.

Mr David Earnest, of tha Centre for Strategic and International Studies, believes that what emerges after Cocom will be a weaker regime, whose members will be unable to veto other countries' exports. The successor is likely to control items on the basis of national discretion. Licences will remain the sole responsibility of the member states and will not have to get prior approval from other members, says Mr Earnest.

"This will increase the disparities in enforcement," said Mr Earnest. "At least under the old system there was uniformity."

The list of controlled items will be narrowed considerably. Nagotiators, working in the Hague, have agreed to maintain existing lists until they reach agreement on the new ones.

Some critics believe Cocom moved too quickly to disband, that it could have survived with a shorter control list and preserved a united front.

Despite assurances from the Commerce Department that the impact of the new regima on US exporters will be negligible, American business is worried that the US may deny export licences that their competitor' governments will approve. The Clinton Administration – at the insistence of the Pentagon and State Department – has decided to retain a system of unilateral controls. The US is still in withdrawal from its expensive habit of world leadership.

US-Russian deals fall short of Brown's hopes

By John Lloyd in Moscow

Mr Ron Brown, the US commerce secretary, yesterday announced a series of deals between US and Russian companies which fell short of his hopes, but which, he said, pointed the way to US investment greatly in excess of the present $1bn.

His most significant breakthrough was in achieving a lifting of a 50 per cent tariff on aerospace products. This allowed the Russian private air company TransAero to import two Boeing 757s on a lease deal it had threatened to cancel because of the imposition of the tariff on March 15.

The company is also negotiating about the leasing of a further two Boeing 757s, but no agreement has been signed.

Mr Brown said that, in talks with Mr Victor Chernomyrdin, the Russian premier, he extracted a promise not just to lift the tariff but also not to impose tariffs retrospectively on deals already signed, and to review all of the new tariffs imposed this month.

President Boris Yeltsin has himself said that the tariff issue must be re-opened.

However, he failed to have lifted an export tariff of $5 per barrel of oil.

The tariff threatens to make many oil joint ventures between foreign and Russian companies unprofitable and jeopardises the conclusion of an agreement on the Sakhalin offshore reserves which a group of Western companies, including the US corporations of McDermott and Marathon, the British-Dutch Shell and the Japanese group Mitsui, have been waiting to sign for two years.

The commerce secretary said Mr Chernomyrdin had promised only to "review" the tariffs, and said he hoped the deal would be signed in April.

He announced agreements signed by, among others, Westinghouse Electric to maintain nuclear power stations; the Cytran biotech company to build the first internationally certified laboratory and manufacturing facility; and the conversion of a defence plant into a packaging producer by Allen Associates.

Mr Brown, who had a 45-minute meeting with Mr Yeltsin, said: "I leave with a renewed sense of optimism about the future (of Russia). I was assured many times that Russia does want foreign investment."

Fuji faces dumping penalties

The US yesterday levied preliminary anti-dumping penalties against Fuji of Japan ranging between 360.95 per cent and 321.23 per cent on colour photographic paper sales into the US, AP-DJ reports from Washington.

The decision, which involves punitive tariffs, requires Fuji to post cash or bond equivalents with the US Customs Service pending further review by the Commerce Department.

A final ruling on the dumping complaints filed by Eastman Kodak against Fuji photographic paper produced in Japan and the Netherlands must be given by August 18.

If the preliminary ruling is upheld, the International Trade Commission will have 45 daya in which to decide whether Eastman Kodak has sustained financial injury.

NEWS: THE AMERICAS

Cardoso quits as finance minister

By Angus Foster in São Paulo

Mr Fernando Hanriqua Cardoso yesterday resigned as Brazil's finance minister, as expected, to order to run in October's presidential elections. His replacement is Mr Rubens Ricupero, a former ambassador in Washington, who is due to take up his new post soon after Easter.

Mr Cardoso said his departure would not endanger the anti-inflation package he has negotiated throogh Congress. "If there was a risk the plan would be altered, I wouldn't consider leaving," he said. Mr Ricupero says he fully supports the plan.

"Ricupero will make a perfect economy minister. There is a perfect understanding between us," Mr Cardoso said.

The biggest doubt about the effective implementation of the plan stems from President Itamar Franco. Although he allowed Mr Cardoso to run economic policy, even where it contradicted the president's populist instincts, it is not clear whether Mr Ricupero will have the same freedom.

Under the plan, inflation is not likely to fall until a new currency is introduced later this year. According to some indicators, inflation has increased sharply in recent weeks to over 40 per cent a month. If prices continue to rise, there is a risk Mr Franco will demand urgent, unorthodox action.

Mr Cardoso said he would run his election campaign on an anti-inflation platform based on his economic stabilisation programme. He will run as a candidate for the centre-left Brazil Social Democratic Party, which has a strong following among educated middle-classes. His candidacy has been embraced by Brazil's business community.

Fears revive in Belize

Belize says neighbouring Guatemala has revived its claim to Belizean territory, despite an interim agreement reached two years ago between the two Central American countries, Canute James reports from Kingston.

The Belizeans say Guatemala's 130-year-old claim was revived in a letter sent this month by the government to Mr Boutros Boutros Ghali, the UN secretary general, saying that an end to Guatemala's claim on the former British colony would come only with a final treaty.

The latest Guatemalan statement coincides with the dismantling of a 1,500-strong British garrison which had been stationed in Belize to discourage the Guatemalan military from invading in pursuit of the territorial claim.

Party papers over antipathy as able economist assumes the PRI mantle, writes **Damian Fraser**

Zedillo sports his pro-market credentials

President Carlos Salinas has selected a bright, pro-market economist to succeed the late Mr Luis Donaldo Colosio as presidential candidate of Mexico's ruling party.

Mr Ernesto Zedillo Ponce de León, who this week became the presidential candidate of the Institutional Revolutionary Party, is considered by many as the most intelligent member of the current government.

From a humble background, he earned a doctorate in economics from Yale University, became a top central bank official in his twenties, budget minister at 36, and four years later, education minister.

The party faithful, however, view Mr Zedillo as dry and politically inept, and deeply resent his nomination. Unlike Mr Colosio, Mr Zedillo does not easily bridge the gulf between the party traditionalists and foreign-trained economists who have run the administrative side of the Mexican government for the past decade. Mr Zedillo has never run for elective office, and often appears ill at ease in party functions.

"Mr Zedillo is cold man, calculating and hard in his decisions and, despite his background, is far from possessing political and social sensitivity," wrote the columnist Francisco Cardenas Cruz in yesterday's El Universal.

Even allowing for the mourning that has followed Mr Colosio's murder, tha reception afforded Mr Zedillo in the PRI after his nomination was remarkably cold. "If they had waited another 24 hours they could not have done this. The PRI would have chosen its own candidate," said one PRI official who, like many others, bemoaned the imposition of a candidate by President Salinas, and lack of internal democracy.

Mr Zedillo, nevertheless, is the strong favourite to win this August's elections. The PRI has been to power for 65 years, has previously united around unpopular candidates, and is well ahead of the opposition in opinion polls.

Mr Zedillo was the only eligible candidate certain to preserve and deepen the economic and social reforms of the past six years. Because of his impeccable pedigree as a pro-market economist, Mr Zedillo enjoys broad support from the domestic and foreign business community, and from the US government.

If elected, Mr Zedillo is likely to ensure that the same group that has run Mexico for the past six years will remain in power for another six years.

Mr Zedillo's close friends and allies include Mr Jose Cordoba, the president's powerful chief of staff, Mr Jaime Serra Puche, the trada minister, Mr Miguel Mancera, the central bank governor, and Mr Guillermo Ortiz, deputy finance minister.

Under Mexico's constitution no presidential candidates can have worked in government for six months before the election. This stipulation ruled out potential rivals to Mr Zedillo, such as Mr Pedro Aspe, the finance minister.


A Mexican reads a newspaper announcing Mr Ernesto Zedillo as the presidential candidate for the PRI AP

Although criticised for political failings, Mr Zedillo has proved himself an able administrator while in government. He succeeded in cutting the budget deficit in the early 1990s, and more recently persuaded unions to accept the decentralisation of education policy.

"His contribution to economic reform was fundamental. He controlled spending and brought about a structural reform of public finances," says Mr Ortiz, the deputy finance minister.

Despite such accolades, Mr Zedillo is best known nationally for his farcical attempt to publish new history textbooks. These books revised Mexico's nationalist view of its history, and created a storm from both the left and right. Mr Zedillo had to recall the books and substitutes have not yet been made available.

Although the PRI had been lobbying and pressing for the candidacy of Mr Fernando Ortiz Arana, its party president, Mr Salinas calculated that after Mr Colosio's assassination, officials would finally put party unity before personal ambition.

President Salinas seems to have calculated correctly. Mr Ortiz Arana pledged his loyalty to Mr Zedillo, so did Mr Manuel Camacho, the peace envoy in Chiapas, and other party members promised to toe the line.

Mr Zedillo also has the advantage of having been campaign manager of Mr Colosio, and thus in a position to claim to be his legitimate successor. In his acceptance speech Mr Zedillo mentioned Mr Colosio's name more than 30 times, and promised to endorse his programme and ideals.

Mr Colosio's supporters have nowhere to turn but to Mr Zedillo. Some now say Mr Zedillo was the intellectual force behind Mr Colosio, and largely responsible for thinking up Mr Colosio's programme.

"Mr Zedillo will win the election as the heir of Mr Colosio" says Mr Raymundo Riva Palacio, a columnist with Reforma newspaper. "Mr Colosio is now the only thing that is now keeping the party together."

But as Mr Zedillo delivered his acceptance speech, there remained the task of grooming him for office and turning him into a politician of the people. His delivery came across as wooden and stilted, while his wire-rimmed glasses typified his academic background. He also avoided meeting the party faithful, preferring instead to stay closeted in the PRI headquarters with his handful of close advisers.

Guatemala and rebels in rights accord

Guatemala's government and leftist rebels have signed a human rights accord which boosts hopes of ending 33 years of civil war by the end of this year, Reuter reports from Mexico City.

Under the accord, a UN human rights mission will be set up inside Guatemala as soon as possibla and will visit any part of the country and demand information at any time from the army and the government.

The agreement, reached in Mexico City on Tuesday after five days of talks, ends almost three years of talks aimed at improving Guatemala's human rights record, one of the worst in Latin America.

More than 100,000 peopla have been killed and another 40,000 "disappeared" since the war began in the early 1960s.

"This is a huge advance. It is the first major agreement signed in the peace process," said Mr Marrack Goulding, the UN under-secretary-general for political affairs.

He said the United Nations would send down a preliminary team to prepare the ground for the mission.

Guatemala's warring sides also agreed on a broad agenda for talks aiming at definitive peace accords by December.

Record-beating legislator of the old school

By George Graham in Washington

Congressman William Natcher, chairman of the House of Representatives appropriations committee, died on Tuesday night at the age of 84.

In his 40 years in Congress Mr Natcher never accepted a campaign contribution nor, until illness kept him away earlier this month, missed a single vote. His record of appearing in person for 18,401 consecutive roll call votes and quorum calls appears unlikely to be surpassed.

Although scarcely known outside the confines of Capitol Hill – he never hired a press secretary, and attracted substantial media coverage almost for the first time when his voting record ended – Mr Natcher was viewed by congressional insiders as the epitome of the old-style legislator, committed to getting results.

"What distinguishes the best of the old bulls from the rest of the House is their dedication to making things happen when something needs to be done but there is no consensus, to fulfilling their charge as legislators. What distinguishes many of the junior colleagues of the old bulls is their dedication to posturing over legislating," lamented Mr Norman Ornstein, a political scientist at the American Entarprise Institute in Washington, in an article in Roll Call, Congress's village newspaper.

Mr Natcher, who represented northwestern Kentucky, left his mark on decades of labour, health and education spending through his long chairmanship of the appropriations subcommittee in charge of these sectors.

Although the appropriations committee is supposed merely to dole out annual spending allocations within the policy framework set by the various congressional authorising committees, its decisions on whether to provide the money for a programme more often than not have the effect of fixing US policy.

The House and Senate appropriations committees have long been the bastions of the seniority system, in which members of Congress climb to power in accordance with their length of service.

Mr Natcher himself only took over as chairman of the full committee in 1992, succeeding the ailing Congressman Jamie Whitten of Mississippi.

Mr Whitten is seven months younger than Mr Natcher, but holds a record of his own with 52 years of continuous service in the House.

When Mr Natcher himself became too ill to continue, Democratic House members voted to break with the seniority system, picking the outspoken Congressman David Obey of Wisconsin to take over the appropriations committee, rather than Congressman Neal Smith of Iowa, the 74-year-old, naxt in line to Mr Natcher.

De Klerk ready for KwaZulu showdown

By Michael Holman and Patti Waldmeir in Johannesburg

South African President F W de Klerk last night appeared ready to impose emergency measures in the KwaZulu black "homeland". The KwaZulu government vowed to resist any crackdown with force.

Amid fears of further violent confrontation, the South African cabinet met for several hours to consider whether to impose a full state of emergency in Natal/KwaZulu province or more limited emergency measures. These would be aimed at halting political violence which has left a record 266 dead this month in Natal/KwaZulu and allow next month's all-race elections to take place.

Mr de Klerk is expected to announce the government's next step at a press conference today after pressure from the African National Congress to declare an immediate state of emergency. KwaZulu is run by Chief Mangosuthu Buthelezi, whose Inkatha Freedom party wants the April polls delayed.

Mr Cyril Ramaphosa, ANC secretary general, said yesterday: "We would want the state of emergency to be declared right away. It is quite clear that the chief minister and Inkatha are determined to drown the country in blood in their determination to stop the election from taking place."

In the latest of a series of atrocities in Natal, five ANC members were executed when they were sent as peace envoys to a migrant workers' hostel controlled by Inkatha. A survivor of the attack said the killers had told him they were avenging the deaths of Inkatha members in shootings in Johannesburg on Monday. In a separate incident, a busload of Inkatha self-defence unit members was ambushed by ANC supporters near Eshowe, in northern Natal. No deaths were reported.

Comments from Inkatha officials including Chief Buthelezi have added to the mood of impending confrontation. Mr Ziba Jiyane, an Inkatha spokesman, yesterday responded to rumours of an imminent declaration of a state of emergency by warning that "we have not made a secret about the fact that we will resist" while Chief Buthelezi said Monday's violence was the beginning of "a final struggle to the finish between the ANC and the Zulu nation".

What took place in Johannesburg was "only the precursor of what will yet come", he said, warning ominously: "There is no saying what the people will do in taking the law into their own hands."

ANC officials are confident that imposition of a state of emergency will dramatically reduce violence in Natal and leave Chief Buthelezi isolated, but emergency measures could backfire, infuriating Inkatha members and Zulu royalists and provoking more atrocities.

Even the intervention of the security forces with emergency powers may not be enough to restore stability. KwaZulu's fragmented and mountainous geography makes it difficult to fight a guerrilla force like Inkatha's, however badly armed; and it is not clear whether the security forces will pursue the fight with vigour against a party which many of its members still consider to be the government's natural ally.

Mr Nelson Mandela, the ANC leader, yesterday insisted that the crisis in Natal could not be allowed to delay the elections. "Any attempt to postpone the elections or drown them in blood cannot be countenanced," he said in a speech read on his behalf at a business meeting in Johannesburg.

Business mood: Section II

Refugees who have fled from violence in KwaMashu township in Natal wait in line for food — Reuter

More Israelis take hard line over Hebron

A growing mood for vengeance is abroad, writes David Horovitz

Across Israel, Jewish families sat down at home at the start of this week's seven-day Passover festival for the Seder, the annual retelling of the Israelite exodus from slavery in Egypt and the arduous journey to the Promised Land.

Towards the end of the Seder service, after the Passover meal has been eaten, the front door of the home is traditionally opened and a paragraph of prayer read aloud that has always seemed problematic to some liberal Jews. "Pour out thy wrath upon the heathen who have not known thee," it exhorts Jahovah. "Pursue them and destroy them in anger, from under the heavens of the Lord."

This year, barely a month since Jewish settler Baruch Goldstein poured out his wrath in a stream of gunfire at rows of kneeling Palestinian worshippers inside Hebron's Tomb of the Patriarchs, that Passover prayer seemed particularly inappropriate. Indeed, a group of liberal Israeli rabbis issued a statement urging Israelis to excise it from the Seder ceremony.

Ms Shulamit Aloni, the left-wing communications minister who has little love for Jewish religious traditions, concurred. The desire for vengeance against Palestinians who know not the Jewish God, she reasoned, was apparently all too widely endorsed already among sections of the Israeli public.

An opinion poll earlier this month showed that one in 10 Israelis refuse to condemn the Hebron massacre, arguing that it should be "understood against the background of Arab terror against Jews," and 3.6 per cent actually praise Goldstein's actions.

In the first hours after the February 25 killings, Israeli leaders across the political spectrum fell over themselves to issue condemnations, to assert that what Goldstein had done was inhumane, "unJewish".

But in the days and weeks since, other voices have been heard, first defending Goldstein, then praising him. The first to speak up were his colleagues in the Kach movement, disciples of the ideology developed by the late Rabbi Meir Kahane, which elevates the killing of Arabs to the status of a divine mission. Next, Rabbi Dov Lior, spiritual leader of Goldstein's home settlement Kiryat Arba, eulogised him at his funeral as a Jewish hero. Rabbi Yisrael Ariel, head of a Jerusalem religious institute, declared he followed in the glorious tradition of that legendarily powerful biblical figure Samson.

But then the voices spread out of the ideological hothouses and towards the mainstream. Condemning the massacre at a gathering of Jerusalem schoolteachers, Mr Micha Goldman, deputy education minister, found himself heckled by educators who endorsed Goldstein's assertion of Jewish pride.

Participants in a TV debate intended to explore the evils of Goldstein's actions were struck dumb when a teenager in the audience took the microphone to declare he and others in his school had stood to attention and marked a minute's silence in honour of Goldstein's suicidal heroism.

On a different level, Israel's two chief rabbis last week appealed to the government to release temporarily the handful of leading Kach activists placed in administrative detention in the wake of the massacre. It was Passover, the rabbis pleaded. These men should be at home with their families.

Prime Minister Yitzhak Rabin rejected that request, remarking that if the massacre had been shocking, the growing evidence of support for the murder of Arabs was more so.

NEWS IN BRIEF

Hopes rise for agreeing nuclear test ban treaty

A comprehensive nuclear test ban treaty (CTBT) could be completed by early 1995, according to Mr Miguel Marin-Bosch, chairman of the United Nations negotiating committee, writes Frances Williams in Geneva. He said yesterday that the negotiations, which began in January, had made faster progress than expected and he hoped for an initial draft treaty text by late spring.

A treaty was "do-able in a relatively short time of 12-18 months", he added, enabling it to be finished just before or just after the April 1995 conference on extension of the Nuclear Non-Proliferation Treaty.

A number of developing nations have made a CTBT a condition of their agreeing to an indefinite extension of the NPT.

Mr Marin-Bosch, Mexico's ambassador to the UN Disarmament Conference in Geneva, said there seemed to be broad agreement for the treaty "to ban all tests in all environments for all time". This would include so-called "peaceful" nuclear explosions as well as nuclear weapons tests, though the possibility of exceptions was being discussed. The treaty would contain extensive verification measures and provisions for economic sanctions against those violating the ban.

There was universal support for a CTBT despite "varying degrees of enthusiasm", Mr Marin-Bosch went on. China, which is still testing atomic weapons despite a moratorium by the other four declared nuclear powers, has said it will not test after 1995.

More than 2,000 nuclear tests have been carried out since the second world war, equivalent to one a week, the majority by the US and the former Soviet Union.

'Bribes' strike shuts PNG mine

Production halted yesterday at the Ok Tedi copper mine in Papua New Guinea, controlled by Australia's Broken Hill Proprietary, after about 1,000 workers went on strike, writes Nikki Tait in Sydney. The strikers were protesting at alleged bribing of officials to obtain visas for expatriates. But in Port Moresby, BHP said it had already conducted an internal investigation into these accusations, and found no wrongdoing. It expressed surprise they had been cited as grounds for industrial action.

BHP said it viewed the strike as illegal under PNG's industrial relations laws, and had called on the labour department for assistance. Ok Tedi has a relatively stable industrial relations record, but suffered three industrial disputes last year, which shut the mine for several days.

Hong Kong's reserves jump 21%

Hong Kong's Exchange Fund, reserves set aside to defend its currency, jumped 21 per cent to HK$348bn (£30.8bn) last December 31 from a year earlier, according to Mr Hamish Macleod, financial secretary, Reuter reports from Hong Kong. Mr Macleod told the Legislative Council, the colony's legislature, that the Exchange Fund reserves placed Hong Kong sixth in the world in overall foreign currency reserves, up from 10th a year earlier.

Hong Kong's dollar has been pegged at HK$7.80 to the US dollar since 1983, when the fund was set up to protect the currency against any speculative attack. "We stand second in the world in terms of reserves per capita," he added.

The peg has kept the currency stable through a series of crises linked to the colony's 1997 return to China. But it also means Hong Kong has effectively lost the power to set its own monetary policy because local interest rates have to follow those of the US.

Malaysia lifts Spielberg film ban

Malaysia yesterday lifted its widely criticised ban on the Oscar-winning Holocaust film Schindler's List, but it remained uncertain whether the movie would be screened, Reuter reports from Kuala Lumpur. Mr Anwar Ibrahim, deputy prime minister, said the weekly cabinet meeting agreed to allow the film to be shown in accordance with normal guidelines.

But officials said these would require scenes of nudity and violence in the film directed by Mr Steven Spielberg to be censored.

Mr Roger Pollock, managing director of United International Pictures, the film's local distributor, said: "Spielberg has said he will not allow any cuts."

Manila agrees deal with IMF

The Philippines yesterday completed negotiations with the International Monetary Fund on a three-year financing to support a growth-oriented economic programme, writes Jose Galang in Manila. Mr Cabriel Singson, governor of the central bank, said the government would sign a letter of intent to the IMF in April.

New credits worth $650m are being sought from the IMF's Extended Fund Facility. The Philippines is aiming for an economic growth this year of 3.5-4.5 per cent, on a projected inflation of 8.5-10 per cent.

If the Philippines meets all targets specified in the letter, this package will be its "exit programme" from the IMF, according to Mr Singson. Approval of the IMF credit will trigger a rescheduling of $1bn of official credits from the Paris Club of bilateral and multilateral lenders.

Divisions widen within Hosokawa's coalition

By Emiko Terazono in Tokyo

Japan's prime minister Mr Morihiro Hosokawa faced mounting criticism from within the ruling coalition yesterday over attempts to push for political realignment.

Strong opposition from the left wing of the coalition forced Mr Hosokawa to shelve his plan to form a policy study group comprising coalition party members, independents and some members of the opposition Liberal Democratic Party.

It was feared such a group would ultimately turn into a new political party.

Mr Hosokawa's political manoeuvrings have widened a growing divide between the coalition's left and right wings. The Social Democratic party, the largest coalition member, as well as the New Harbinger party and the Democratic Socialist party, which form the leftist camp in the coalition, resisted Mr Hosokawa's moves.

The coalition's two camps differ over economic, fiscal and industrial policies. On international affairs, Mr Ozawa's conservatives favour an internationally active Japan, while the liberals want a lower profile.

Those on the left are suspicious of the right wing's aim in fielding single joint candidates against the LDP in the next general election.

They are against the strong-armtechniques of Mr Ichiro Ozawa of the Japan Renewal party, the government's backroom powerbroker, and Mr Yuichi Ichikawa of the Buddhist-backed Komeito, or Clean Government party. They believe Mr Ozawa and his allies are masterminding Mr Hosokawa's plans.

Mr Tomiichi Murayama, leader of the SDP, said setting up such a group "would cause confusion within the coalition (and) should be avoided when the budget for next fiscal year is being delayed."

Parliamentary debate on the Y73,080bn (£705bn) budget plan for the business year starting tomorrow has been stalled due to the parliamentary wrangle over a Y100m loan made to Mr Hosokawa a decade ago by Sagawa Kyubin trucking company.

While Mr Hosokawa has denied any impropriety, his public approval rate has declined steadily. The LDP is also increasing pressure on the prime minister to make clear his role in the purchase of 300 Nippon Telegraph and Telephone shares by his father-in-law in 1986.

Meanwhile, to bridge the gap of the budget delay, the lower house yesterday passed a provisional Y11,500bn budget for the first 50 days of the next business year.

Court toughens product liability stance

By Michiyo Nakamoto in Tokyo

A Japanese court yesterday ordered Matsushita, the leading electronics group, to pay damages to an Osaka construction company in a landmark case which could have an impact on product liability legislation Japan is considering adopting.

The Osaka district court ruled that a fire which destroyed the office of the plaintiff originated in a television set manufactured by Matsushita.

The ruling is the first ever in Japan to acknowledge a consumer electronics manufacturer's liability for its products.

Under Japanese law the burden of proof in product liability cases lies with the consumer.

Presiding Judge Takeshi Mizuno said in his ruling that "if a maker bearing the high responsibility of guaranteeing the safety of its products does not prove specifically that there was no defect, it cannot escape responsibility for the error".

The ruling was expected to trigger further debate about the need for a product liability law in Japan.

Hitherto, Japan has lagged behind the US and other industrialised countries in introducing this form of consumer protection.

A draft law is expected to be presented to parliament in April. Product liability legislation is expected to be finally introduced in fiscal 1995.

However, as a result of industry pressure, the draft law does not oblige manufacturers to present evidence that their product did not cause the damage.

Japanese output figures disappoint economists

By Paul Abrahams in Tokyo

Japan's industrial production increased 0.2 per cent in February against the previous month. The figure, released by the Ministry of International Trade and Industry yesterday, disappointed economists who had expected an increase of between 0.8 per cent and 3 per cent.

Miti forecast production would increase 4.7 per cent next month but fall 3.4 per cent in April, adding it was too early to say whether industrial output had hit bottom. The yen's continuing appreciation threatened demand and the direction demand was taking remained unclear.

Mr Mike Naldrett, economist at stockbroker Kleinwort Benson, said production data tended to be distorted by the end of the March financial year when companies boosted output to increase sales.

"This is the sort of thing that happens in Japan in spring. It's impossible to judge whether the economy is on the move from one month," Mr Naldrett said.

"Production is likely to be up in the first quarter, down in the second, and we'll really have to wait until the third quarter to know what's happening."

Transport output, primarily cars, was down 13.2 per cent, depressing the overall figures. This was partly because the sales tax on cars is due to be cut in April and manufacturers were anticipating a fall in demand until then.

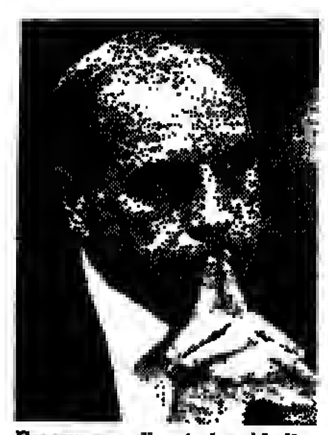
The small increase in industrial output in February compared with a 1 per cent rise in January. Shipments rose 1.2 per cent during February, while the inventory index dropped 1 per cent. Miti said inventories remained high.

Continuing problems afflicting manufacturing industry were underlined yesterday when the Long-Term Credit Bank of Japan announced that capital spending by Japanese companies had been cut by a record 6.5 per cent during the 1993 financial year.

It forecast expenditure would fall another 4.2 per cent during 1994. The only sector increasing capital spending would be electronics, up 4.3 per cent, it said.

Keating urged to cut deficit

By Nikki Tait in Sydney



Fraser: spending 'misguided'

Mr Bernie Fraser, Australia's Reserve Bank governor, yesterday urged faster curtailment of the federal budget deficit, suggesting additional revenues generated by a surge in economic growth be used for this purpose.

He warned that a rise in interest rates could be required "in due course", but added: "The time to begin that adjustment is still some way off."

Mr Fraser said the government's goal of reducing the budget deficit to around 1 per cent of gross domestic product by 1996-97 was a useful benchmark. "Calls to use any higher revenues flowing from a stronger economy, the so-called growth dividend, to boost spending, rather than reduce the deficit, are misguided in my view," he added.

Mr Fraser's comments come as the Labor government is drawing up its 1994-95 finance plans ahead of the May 10 budget. It has already come under pressure from its own rank and file, and from minor parties, to use any additional revenues to fund various social and infrastructure programmes, and to tackle the country's double-digit unemployment rate.

Mr Fraser's comments, together with some much-as-expected balance of payments figures for February, helped steady the fast falling bond and equity markets yesterday, although both share and bond prices ended slightly lower. The balance of payments data showed a current account deficit of A$1.256bn (£890m) last month, compared with a revised deficit of A$1.233bn in January.

Japan's unions faced with a dwindling role

They have been slow to match up to falling membership and new conditions, reports Michiyo Nakamoto

Members of the Japanese Electrical, Electronic and Information Union recently held a mock strike in preparation for *shunto*, or the "spring struggle", Japan's annual wage offensive.

"Some of our members have never experienced a strike, so we simulated one for the experience," explains Mr Yukuo Ajima, bureau director of the JEIU, which represents the country's electronics and software industries.

But in the event, the JEIU and private railway unions, which were also threatening to strike, opted to avert stoppages and settle for less than they had demanded.

The current wage round is proving to be producing the most modest wage settlements in recent Japanese history.

Average wage increases, which are at present running at about 3 per cent, are likely to be the lowest since *shunto* began some 40 years ago.

Despite the show of resistance by some unions, such as the JEIU, this year's *shunto* has followed a familiar pattern of compromise that has characterised Japan's labour movement for the past 20 years.

The wage settlements for others in the IMF-JC, a grouping which represents the key steel, shipbuilding, electrical appliance and car industries, have been in line with levels that had been widely publicised beforehand.

The predictability of the *shunto* agreements has raised questions about the relevance of the annual event and the willingness of union leaders to put up a decent fight for their members.

"The past 20 years have been a labour-management honeymoon," charges Prof Ryohei Magota of the International Buddhist University, who is a specialist on labour relations. "Japanese labour unions have become just another business division within the company and cannot be expected to play a major role in reforming society."

In the wage negotiation ritual, labour and management gradually move closer to each other's position, with a very good idea of how far the other is likely to compromise.

Indeed, the results of the spring wage offensive have been forecast with considerable accuracy by William Mercer, the consultancy which boasts an average discrepancy of just 0.1 per cent between its forecast and the actual agreed rate of increase for the past nine years.

Japanese unions are enterprise-based rather than industry-wide, and as a result, tend to identify strongly with the interests of the company.

If unions are convinced, for example, that a high wage increase would hurt the company's competitiveness, and thus would end up eventually damaging the prospects of the workers themselves, they tend not to ask for much of an increase, says Prof Atsushi Seike of the labour economics faculty at Keio University.

Japanese management for its part also tries to maintain smooth relations with workers, points out Prof Michio Nitta at Tokyo University. Nissan, for example, has agreed a 2.89 per cent increase for its workers despite making a loss this year.

But as Japan's economic growth has stalled and as industrial restructuring proceeds, unionisation has fallen steadily over the past decade. After falling below 30 per cent of the workforce in 1983, the proportion declined to 24.2 per cent last year.

The fall is attributed to the growing number of people working in new industries where organising labour has been difficult, and to the rising number of part-time workers.

But there is little question that more workers feel that unions have not lived up to expectations.

"Wages have not increased substantially over the past several years and more people feel that the high union fees are not worth paying," notes Mr Magota. "It is doubtful whether Japanese labour unions in general are able to protect the interests of their members," admits Mr Takumi Takeuchi, vice-president of the East Japan Railway Workers Union.

Unions have, for example, often been willing to sacrifice current gains for future benefits. During the late 1980s, when the Japanese economy was growing strongly, unions, particularly in the motor sector, did not press for significant wage increases.

Instead, they allowed management to channel excess funds into capital investment in the hope that this would raise the competitiveness of their companies.

But with the current slowdown, far from reaping the benefits of their hard work and modest demands during the good years, workers are suffering the impact of excess capacity in their industries. The result was damaging from a macro-economic perspective as well, in that it allowed companies not only to increase capital investment but to turn to speculation, Mr Seike says.

Unions have also been slow to address other trends such as companies introducing some forms of merit-based pay, which make the conditions and interests of workers much less uniform than they have been in the past.

NEWS: UK

IRA announces 72-hour unconditional ceasefire

By Michael Cassell and Tim Coone

The provisional IRA last night announced an unconditional, 72-hour ceasefire, starting at midnight next Tuesday, in a bid to win further clarification of the Downing Street peace declaration.

The move, announced as Mr John Major, the prime minister, flew into Northern Ireland for a short visit to the province, is intended to shift the initiative back on to the British and Irish governments and to expose any differences in strategy between London and Dublin.

A statement issued last night in Dublin said the IRA hoped the two governments would accept the ceasefire in the spirit intended. It called on both to take advantage of the new development.

But even before Downing Street had seen the statement it repeated its demand – backed by Dublin last week after suggestions the Irish government might look more positively than London on a temporary ceasefire – that only a permanent end to violence would allow Sinn Féin to join the peace process.

Mr Albert Reynolds, the Irish prime minister, said last night that he would study the IRA announcement but said that while any reduction in violence would be walcome a short-term ceasefire "would certainly be disappointing".

The IRA traditionally announces a short ceasefire at Christmas although not at Easter. It is hoping, despite Downing Street'e firm line, that the gesture will paint it as an organisation anxious for peace being frustrated by the British government's refusal to offer further clarification of the December agreement.

Unionist politicians were quick to condemn the IRA decision. Mr Ken Maginnis, the Ulster Unionist security spokesman, said there was strong evidence the IRA considered a ceasefire as "the best way to embarrass the prime minister".

"It is my firm information that this tactic is being contemplated as a means to portray John Major as intransigent and as being responsible for the IRA's carefully preplanned return to violence," he added.

This week in Belfast Sinn Féin officials, representing the political wing of the IRA, have continued to insist that the UK government will have to provide clarification of the document through talks before it will give a definitive response to the initiative.

The Irish government has acknowledged that it has maintained contact with Sinn Féin, via intermediaries, since the signing of the declaration. Officials say that these contacts have not involved negotiations but have been aimed at clarifying the declaration to republican leaders.

Senior officials have also admitted in private that Mr Albert Reynolds, tha Irish prime minister, believes the British government should be more flexible.

Tory MEPs told to rise above debacle

By Kevin Brown

The Conservatives will campaign for the European elections on a platform which stresses both the importance of the European parliament and the party's commitment to national sovereignty, it emerged yesterday.

In a letter to all Conservative MPs and MEPs, Mr Douglas Hurd, foreign secretary, urged the party to raise its sights from the debacle over EU enlargement.

Mr Hurd, the Conservative campaign manager for the election, also distributed a six page statement of electioo themes, approved by Mr John Major, the prime minister.

The document, which was cleared by the cabinet in advance of distribution, sets out to bridge the deep divisions between the party's federalist wing, which is strongest among MEPs, and the rebellious minority of Eurosceptics at Westminster.

Party strategists believe the document is sufficiently broadly based to quell murmurs of revolt from both wings which have threatened to destabilise the Conservative campaign.

However, senior ministers remain fearful that the Conservatives will perform badly in the elections, due on June 9. A full-scale manifesto is expected to be published after the local elections on May 5.

Mr Hurd told the MPs and MEPs in his letter that "a contrast has to be made clear between our vision of a decentralised, free trading Europe built on the nation states, and the centralised, interventionist, bureancratic superstate after which Labour and the Liberal Democrats hanker."

"I believe we can unite behind an approach of this kind," he said.

"We have the opportunity over the next few years, in particular at the intergovernmental conference of 1996, to shape a European Union in which we can feel comfortable. Our job now is to get that across."

The campaign document answers complaints from MEPs that the campaign for the last election in 1989 was too negative by acknowledging that the European parliament has "powers and influence."

Supporters desert an isolated prime minister

James Blitz and David Owen assess what Tory MPs think of their beleaguered prime minister ahead of the traditional Easter break

Will he stay or will he go ? If he goes, when will he go? And when he goes, how will he go? Mr. John Major's leadership was the only issue in Westminster yesterday.

The prime minister's roasting by Tory backbenchers had already reached fever pitch on Tuesday night. His compromise over European voting procedures dismayed traditionally loyal supporters and the attack on his leadership from Mr Tony Marlow, the maverick MP, fanned the flames.

By yesterday morning, the Westminster hothouse was getting hotter. An especially abusive front page in the increasingly disloyal Daily Mail and more vitriol from Mr Marlow created deep anxiety on the conservative back benches.

There was panic in the air. A flurry of pre-lunchtime ministerial meetings led to rumours that several ministers – perhaps the prime minister himself – might be on the verge of quitting.

The first rumour was that Cabinet ministers were in No. 10 discussing somebody's future. But no, the meeting was a dry session on the govarnment's efficiency white paper.

By the evening, nerves had calmed. But the mood among backbench Tory MPs was no less bleak as they prepared to return to their constituencies for e grim and pensive Easter break.

Yet, two views consistently emerged from the backbenches yesterday. First, much will depend on the mood among MPs when they come back to Westminster in ten days time. As one said, Tories are exhausted at the end of e long session of committees and late night votes in Westminster. The Easter break will give them an opportunity to get out of London, recharge their batteries and reassess the situation.

But if yesterday's despondency does not lift then even Mr Major's staunchest supporters say they will look elsewhere for leadership.

Second, the political complexion of MPs attacking the prime minister has changed.

For the last 18 months, the right of the party has sniped at the prime minister on Europe and on the future of the welfare state.

Now that Mr Major is in extremis, some rightwing Tories are hesitating to go in for the kill. They fear they have no candidate of their own to pitch against Mr Michael Heseltine, the trade secretary or Mr. Kenneth Clarke, the chancellor of the exchequer.

As one staunch rightwinger put it: "I'll do anything to stop Heseltine'e white knuckle ride."

But the MPs on the centre-left, pro-European wing are now becoming equally nervous about the prime minister's prospects.

"There are people round here backing Michael Heseltine who would have had nothing good to say for him three months ago," said one MP.

It is the doubts of these MPs, the sensible, utterly pro-Major tendency, that could rock him.

"He is finished," said a former minister at the centre of the political spectrum. "There is a growing inevitability about things." He predicted that even a ridiculous "stalking horse" candidate would trigger enough abstentions to cripple Mr Major.

Another pro-European backbencher said: "I'm very happy with the result on qualified majority voting. I'm pleased with what he has done over the last two years on Europe. But what has damaged him so much is his tactics. They have helped no one."

A handful still expressed support. "There are simply noother candidates whom the party can back and stay united," said one. "The state of the economy is still the key card he has to play," said another.

But unqualified and unreserved support for the Conservative party leader was nowhere to be heard.

Britain in brief

EU dismisses German ban on UK beef

European Union health ministers yesterday dismissed German attempts to impose a ban on UK beef exports.

The German health minister, Mr Horst Seehofer, had sought a total ban on exports of live cattle and beef from the UK, arguing that otherwise bovine spongiform encephalopathy (BSE), or "mad cow disease", would enter the food chain and threaten humans.

The UK, backed by a robust rebuttal from the European Commission and the support of all its EU partners except Germany, repeated its offer of bilateral talks with Germany to assure Bonn that adequate preventive measures were being taken.

But Brussels made clear once more yesterday that it wonld take legal action against Germany if Bonn attempted to impose a unilateral ban.

15% of road programme cut

Nearly 15 per cent of Britain's £21bn roadbuilding programme has been scrapped following tha most detailed review of government transport policy for many years.

Forty nine of the 371 schemes originally planned over the next 10 years have been withdrawn, Mr John MacGregor, transport secretary announced yesterday.

Despite the decision to drop many planned new roads and road widening schemes the impact of the government's review was less severe than many people had expected.

Toilet leaks ground aircraft

Structural repairs were needed to the RAF's 61 Hercules C-130 transport aircraft because of corrosion caused by leakage around urinals, the House of Commons defence committee said yesterday. "Spending a penny correctly would have saved tens of thousands of pounds," said the committee in a report on the programme to refurbish or replace the Hercules fleet.

Pergau aid criticised

The British government's handling of a £234m aid offer to Malaysia to help build the Pergau dam was condemned in a unanimous report by the most powerful of parliament's select committees.

The House of Commons Public Accounts Committee criticised many aspects of the government's handling of the Pergau dam deal in the three years to 1991.

The report acknowledged that Sir Timothy Lankester, the former permanent secretary at the Overseas Development Administration, had been right to seek a "ministerial direction" to spend money on the project in July 1991, thereby absolving himself of any blame for "signing the cheques".

The report blamed the government for not using numerous opportunities to renegotiate the deal in 1989 and 1990.

House prices rose 0.6%

House prices on average rose 0.6 per cent last month compared with February according to Nationwide, Britain's second largest building society.

It said yesterday that the average price of a UK house had risen by 2.8 per cent to £53,751 since March 1993.

Anti-nationalist coalition urged

The Liberal Democrats, the UK centrist party, launched an unusual appeal for party politics to be put on hold in part of east London in a last-ditch attempt to prevent the far-right British National party from making new gains in May's local elections.

The party said that it was prepared to stand aside in the Tower Hamlets ward of Millwall, where the BNP won its first local authority seat in by-election in September - pr vided the Labour and Cons vative parties did likewise.

This would clear the way a "community" ticket of thr candidates, who would not n essarily be members of a political party, to be drawn with the express purpose defeating the BNP.

Mr Peter Hughes, the Tow Hamlets Liberal Democr leader, said his party's prop als, which had come up fro the grass roots, were "probab the only real way" of defeati the BNP.

AGR reactors best in world

Britain's advanced gas-cool nuclear power plants pe formed better than any oth etomic reactor type in t world last year, a remarkab transformation for a techn ogy scientists struggled wi for years to operate efficientl

In 1993 the AGRs' annu load factor was 73.68 per cen just ahead of pressurise water reactors at 73.16 p cent, according to Nucle Engineering International, t authoritative magazine for t industry.

Just three years ago th AGRs were the world's wor performing nuclear plent with load factors little bett than 50 per cent.

Fresh twist to Scott inquiry

Mr Paul Henderson, the forme intelligence agent and bus nessmen at the centre of th Matrix Churchill case ma insist on giving oral evidenc to the Scott inquiry, it emerge last night.

The move threatens furthe political embarrassment to th government over the case a the centre of the arms-for-Ira affair just as the Scott inquir is drawing to a close. The bul of the evidence has been hear and publication of the report i expected later this year.

Mr Henderson is understoo to want to defend himsel against a claim made earlie yesterday to the Scott inquir by Lord Trefgarne, the forme trade and defence minister that the former Matrix Chur chill director lied over the tru purpose of machine tool exports to Iraq.

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Tonight: an evening of traditional Greek clarinet, in which soloists from various parts of Greece perform Greek folk music (01-728 2333/ 01-722 5511)

BOLOGNA

Teatro Communale Yevgeny Kissin gives a piano recital on April 11. A new production of Verdi'e I Lombardi opens on April 15, with cast headed by Ruggero Raimondi (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. (051-529999)

FLORENCE

MAGGIO MUSICALE
The 1994 festival opens on April 26 and runs till July 1. The programme includes the Salzburg Festival production of Salome starring Catherine Malfitano, concert performances of Moses und Aron, Lady Macbeth of Mtsensk and Duke Bluebeard'e Castle, a Noh theatre spectacle devised by Bob Wilson, and symphony concerts by guest orchestras from Oslo, Dresden, Pittsburgh and Bamberg (Biglietteria del Teatro Communale: 055-211158)

LONDON

THEATRE

● Johnny on a Spot: Richard Eyre directs e new production of Charles MacArthur'e 1942 play - part political satire, part wise-cracking American comedy. Michael Bryant leads the cast in the Olivier. Opens tonight (Netional 071-929 2252)

● The Merchant of Venice: David Thacker'e acclaimed Stratford production opens the Royal Shakespeare Company'e new Barbican season, with David Calder as Shylock and Penny Downie as Portia. Starts previewing on Mon, Press night April 9 (Barbican 071-638 8891)

● *Ghosts: Jane Lapotaire* repeats her magnificent performance as Mrs Alving in Katie Mitchell'e RSC production of Ibsen's most controversial play. Previews start tonight, Press night on Wed (The Pit 071-638 8891)

● Travesties: Antony Sher stars in a West End transfer of the RSC production of Tom Stoppard's award-winning comedy, directed by Adrian Noble (Savoy 071-836 8888)

● An Absolute Turkey: Felicity Kendall plays e harassed wife and Griff Rhys Jones a frantic bachelor in Peter Hall'e enjoyabls production of Feydeau's Le Dindon (Globe 071-494 5065)

● The Kitchen: final week of Stephen Daldry's brilliant in-the-round revival of Arnold Wesker'a play (Royal Court 071-730 1745)

● Oleanna: Denis Lawson and Michelle Fairley in David Mamet's powerful two-hander about sexual harassment and political correctness (Duke of York's 071-836 5122)

● An Inspector Calls: Stephen Daldry's award-winning reinterpretation of J.B. Priestley'e social thriller (Aldwych 071-836 6404)

● Carousel: Nicholas Hytner's long-running National *Theatre production of the* Rodgers and Hammerstein musical (Shaftesbury 071-379 5399)

● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962. Most London theatres are closed on Sunday.

OPERA/DANCE

Coliseum ENO tonight *premieres a new production* of Yevgeny Onegin, staged by Julia Hollander and conducted by Alexander Pollanichko, with e cast headed by Peter Coleman-Wright, Cathryn Pope, Bonaventura Bottone and Richard Van Allan (till May 6). Repertory also includes Philip Prowse's staging of Bizet's Pearl Fishers. Judith Weir's new opera Blond Eckbert receives its world premiere on April 20 (071-836 3161)

Covent Garden Birmingham Royal Ballet is in residence over the next week, with David Bintley's new production of Delibes' Sylvia and e mixed bill of works by Balanchine, MacMillan and Agnes de Mille. The next Royal Opera *performances are* Un ballo in maschera on April 11 and 13, followed by s revival of Harrison Birtwistle's Gawain on April 14 (071-240 1066)

CONCERTS

South Bank Centre Tonight: Daniele Gatti conducts London Philharmonic in works by Mozart, Beethoven, Wagner and Shostakovich, with soprano Sharon Sweet. Tomorrow: Jane Glover conducts Hanover Band and London Choral Society in *Handel's Messiah, with soloists* including Lynne Dawson and Sarah Walker. Sun: Ian Watson and Stephanie Gonley direct ECO in works by Handel, Mozart and Vivaldi. Tues: Neville Marriner 70th birthday concert with Academy of St *Martin in the Fields* and soloists including Alfred Brendel and Sylvia McNair. Wed: Leonard Slatkin conducts Philharmonia Orchestra in works by Copland, Barber and Bernstein, with soloists Lynn Harrell, Faye Robinson, *Cynthia Clarey, Thomas* Hampson and Willard White. Wed (QEH): Richard Goode plays Beethoven piano sonatas. Next Thurs and Fri: Tennstedt conducts LPO (071-929 8800)

Barbican Tonight: Harry Christophers conducts City of London Sinfonia and Tallis Chamber Choir in an all-Mozart programme. Tomorrow: Richard Hickox conducts Bach's Matthew Passion, with Nigel Robson as the Evangelist. Sat: James Lockhart conducts opera concert, with soloists including soprano Susan Bullock. Sun, Mon: popular orchestral concerts. Next Thurs: Andrew Litton conducts Bournemouth Symphony Orchestra (071-638 8891)

MILAN

Teatro alla Scala Tonight, tomorrow (in Chiesa di San Marco): Riccardo Muti conducts Haydn's The *Creation*. Sat, next Tues afternoon, Wed, Fri, Sun afternoon: Don Pasquale with alternating casts including Bruno De Simone, Nuccia Focile, Ferruccio Furlanetto and Lucio Gallo. Next Tues evening: June Anderson song *recital (02-7200 3744)*

NAPLES

Teatro San Carlo Next Wed: Reynald Giovaninetti conducts first night of Beppe de Tomasi's production of La Favorita, with cast headed by Luciana D'Intino, Giuseppe Sabbatini and Paolo Coni. April 7, 8, 10 in Teatro di Corte: Rossini'e L'occasione fa il ladro (081-797 2331)

PALERMO

Teatro Massimo The next production is Bellini's I Capuleti e i Montecchi, opening on Tues for a run of 10 performances till April 27. Angelo Campori conducts e staging by Giorgio Marini, with a cast headed by Mariella Devia, Gloria Scalchi and Luca Canonici. There are also performances of a Luciano Chailly tripla bill of one-act operas next Wed and Sat (091-6053 315)

PRAGUE

Dvorak Hall Libor Pesek conducts Czech Philharmonic Orchestra and Chorus tonight in works by Ostrcil and Fauré. Gerd Albrecht conducts *symphonies* by Mozart and Bruckner next Thurs, Fri and Sat (02-286 0111)

Smetana Hall Prague Symphony Orchestra and Philharmonic Chorus give performances of Dvorak's Stabat Mater tomorrow under Pavel Kühn and Beethoven's *Ninth Symphony* next Wed under Okko Kamu (02-232 2501)

Prague State Opera A new production of Hans Krasa's 1933 opera Verlobung im Traum (Uncle's Dream) can be seen tonight and next Wed. Repertory also includes Les contes d'Hoffmann, Otello, Jenufa and Carmen (02-265353)

ROME

Teatro dell'Opera Tonight (also April 5, 7, 10): Steven Mercurio conducts Gian Carlo Menotti's Charleston USA production of Zemlinsky's Der Geburtstag der Infantin. Programme subject to cancellation or change at short notice (06-481 7003)

TURIN

Teatro Regio Tonight: Donato *Renzetti conducts* Giorgio Gallione's production of Puccini's La Rondine. Repeated April 5, 6, 7, 9 and 10 with alternating casts including Nelly Miricioiu and Jean-Luc Viale (011-881 5214)

EXHIBITIONS

AMSTERDAM

Rijksmuseum Dutch Figure Drawings 1700-1850. Ends May 1. Closed Mon

Van Gogh Museum Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose murals grace many public buildings in France. Ends May 29. Daily

BARCELONA

Museu Picasso The Avant-Garde in Russia 1905-25. Closed Mon (carrer de Montcada 15-19)

Fundació la Caixa Willem de *Kooning: 50 paintings,* sculptures and works on paper by the key abstract expressionist painter. Ends April 3. Closed Mon (Centre Cultural, Passeig de Sant Joan)

BASLE

Antikenmuseum Rediscovering Pompeii: an internationally-acclaimed touring exhibition of 200 objects, including jewellery, ceramics, household implements and statues, providing insight into daily life in the Roman town. Highlights are the reconstructed garden with mosaics, e room complete with original frescoes and e selection of video guides. Ends June 26. Closed Mon

BERLIN

Haus der Kulturen der Welt The Gardens of Islam: paintings, carpets and ceramics evoking the exotic grandeur of traditional Islamic art. Ends April 4. Closed Mon

Neue Nationalgalerie Rebecca Horn (b1944): retrospective of the German artist renowned for her mechanical sculptures and provocative drawings. Ends May 1. Closed Mon

Brücke Museum Fritz Bleyl (1886-1976): more than 100 drawings, watercolours and prints by one of the founders of the Brücke. Ends May 16. Ernst Ludwig Kirchner: street scenes 1913-15, the high point of Kirchner's Expressionism. Ends May 16. Closed Tues

BONN

Kunst- und Ausstellungshalle Bunuel, Eye of the Century: a comprehensive retrospective of the Spanish film director (1900-83), showing the common ground between his *films and Surrealist art.* Ends April 24. Closed Mon

FRANKFURT

Deutsches Architekturmuseum Modern Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. Ends July 3. Closed Mon

LEIPZIG

Museum der bildenden Künste From Cranach to Caspar David Friedrich: 62 paintings and 104 drawings from the rich but little-known Leipzig collection, ranging from Lucas Cranach's 1521 painting of Luther through Frans Hals, Holbein and Bernini to the German Romantics. Ends April 17. Closed Mon

LONDON

Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends June 12. Daily (advance booking 071-396 4555)

Hayward Gallery Salvador Dali: The Early Years. Ends May 30. Daily (advance booking 071-928 8800)

Tate Gallery Picasso: 200 works focusing on the relationship between sculpture and painting. Ends May 6. Daily

National Gallery Claude: The Poetic Landscape. Ends April 10. Daily

LUGANO

Villa Favorita Europe and America: 19th and 20th century oil paintings and watercolours. The Thyssen-Bornemisza Foundation'e museum on Lake Lugano re-opens tomorrow with an exhibition of 150 works ranging from the Hudson River School to examples of Cubism, German Expressionism, the Russian avant-garde, Dada, Surrealism and Pop Art. Among the artists represented are Bierstadt, Ernst, Munch, Hopper, Malevich and Pollock. Ends Oct 30. Closed Mon. No *parking facilities:* take Bus no 1 (tel 091-516152)

MADRID

Centro de Arte Reina Sofia Joseph Beuys (1921-86): 10 installations, 25 sculptures and 456 drawings by one of the most controversial figures in postwar German art. Ends June 6. Closed Tues

MUNICH

Kunsthalle der Hypo-Kulturstiftung Pierre Bonnard: 130 paintings and seven sculptures by the Nabis artist. Ends April 24. Daily

Lenbachhaus Between the Brücke and the Blaue Reiter: Expressionist paintings from the Ahler Collection, including works by Kandinsky, Kirchner and Beckmann. Ends May 23. Closed Mon

NAPLES

Castel St Elmo On the Wings of the Imperial Eagle: Naples under the Austrian Viceroy (1707-34). A splendid itinerant show, dominated by the magnificent baroque works of Francesco Solimena. Ends July 24

NEW YORK

Museum of Modern Art Frank Lloyd Wright: architectural fragments, full-scale constructions, scale models and 350 original drawings. Ends May 10. Closed Wed

Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Degas Landscapes. Ends April 3. 19th century paintings and drawings from Germany and Switzerland. Ends April 24. Closed Mon

Guggenheim Museum Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. Robert Morris (b1931): 170 works by the American minimalist. Ends April 17. The main museum is closed on Thurs, the SoHo site on Tues

PARIS

Louvre Egypt's Role in Western Art 1730-1930. Ends April 18. Closed Tues

Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms from central and southern Italy 3000-300 BC. Ends May 17. Closed Sun and Mon

Petit Palais Art of the Tainos Sculptors. Ends May 29. Closed Mon

Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues

PRAGUE

Prague Castle Riding School Czech Modernist Art 1890-1919: e survey of the evolution of Czech art from the turn of the century to Cubism. Ends May 23. Georg Flegel (1566-1638): retrospective of one of Europe's earliest specialised still-life painters. Ends May 8. Closed Mon

ROME

Villa Medici Tamara de Lempicka: 50 works from the years 1920-41 by the Polish artist famous for her addiction to the 'vie bohème', and for seducing all her (adult) models, except Gabriele d'Annunzio. Mainly nudes, her works are painted in vaguely Cubist style, tempered by Art Deco. *Most* are from New York private collections. Ends May 1. Daily

VENICE

Chiesa San Bartolomeo Tintoretto: 15 religious paintings from Venetian churches. Ends May 1. Daily

Museo Correr Pietro Longhi: an exhibition of paintings, comprising mainly elegant genre scenes, by the Venetian rococo artist. Ends April 4. Daily

VIENNA

Kunstforum From Chagall to Picasso, Masterworks from the Guggenheim Museum. Ends June 5. Daily

Jüdisches Museum Chagall's Russian Years: 50 oil paintings, watercolours and drawings from the period 1908-20. Ends June 12. Closed Sat

Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection. Ends June 19. Closed Mon

Albertina The Young Kokoschka: 200 watercolours and sketches from the years 1998-1917. Ends May 23. Daily

WASHINGTON

National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. The Age of the Baroque in Portugal. Ends April 3. Ruth Benedict Collection: 79 prints and drawings from the 16th to 20th centuries, including works by Rembrandt, Canaletto, Tiepolo, Daumier and Moore. Ends June 12. Daily

Arthur M. Sackler Gallery Korean Arts of the 18th Century. Ends May 15. Daily

National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Daily

Walters Art Gallery A Bouquet of French Manuscripts: rare works from the late Middle Ages and Renaissance. Ends April 10. Closed Mon

Phillips Collection Brancusi: photographs and sculpture by the Romanian modernist. Ends April 17. Daily

MANAGEMENT: MARKETING AND ADVERTISING

A free speech issue, a clever marketing ploy or an unfair promotional device? **Diane Summers** looks at EU plans to liberalise comparative advertising

Light touch in battle for brands

Two chimps are locked up by scientists: one is given Coca-Cola to drink, while the other gets Pepsi. After six weeks, the Coke chimp can hammer pegs into holes and the scientists note his "remarkable improvement in motor skills".

The Pepsi chimp, meanwhile, has gone missing and is later discovered driving a Jeep full of young women along the beach into the sunset, to the accompaniment of rock music.

This Pepsi television advertisement – one of a series that seeks to differentiate the drink from the brand leader by giving it, in Pepsi's words, a "hip and irreverent" image – was unveiled to a US audience of 130m viewers during a break in the Super Bowl football championship in January. The advertisement made it clear that Pepsi was being compared to Coke and both drink cans were displayed.

But when it came to showing the advertisement around the world, further versions had to be made, referring coyly to Coke as Brand X "leading cola" or, even more elliptically, as Brand X "leading soft drink". Comparative advertising, which makes direct comparisons with a competitor's product, is a common and long-standing practice in the US, but is either restricted or banned in a number of other countries.

In Germany, for example, all comparisons are seen as unfair competition – the slogan "Avis, we try harder" was not allowed because it was seen as implicating fellow car-rental business Hertz, even though the rival name was not mentioned.

Pepsi sees comparative advertising as a free speech issue, as well it might, since it is the number two brand. The convention is that the brand leader never stoops to the tactic. Alan Pottasch, a senior executive in charge of worldwide advertising for Pepsi-Cola International, says: "As the world moves irrevocably towards free and open markets, we think it's high time that comparative advertising becomes an acceptable way to communicate the concept of choice to consumers everywhere. That's what we believe is at stake here."

Coca-Cola's response – attempting to get the chimps advertisement and other Pepsi comparative commercials taken off the air in some countries – is, in effect, stoking the "cola wars". It has been suggested that the cola conflict appears manufactured and is in the interests of both brands – and that both Coke and Pepsi sales increase when their battle is being publicly fought.

It has been suggested that the cola conflict appears manufactured and is in the interests of both brands

Even if it is a marketing ploy, Pepsi is not alone in wanting comparative advertising laws liberalised. In the UK, the government is using a bill on trademarks, currently being considered by parliament, as an opportunity to clear the way for comparative advertising.

There is no absolute ban on the practice in the UK and there have been some famous examples, including Qualcast and Flymo lawnmowers, Duracell and Eveready batteries, St Ivel Gold and Flora spreads and, most recently, The Sun and Mirror newspapers. The latter has appeared mainly in the trade press, a sector which has produced some particularly strong comparative copy.

But, because of existing trademarks' legislation, an advertiser can run into trouble if a competitor's trademark – and names and packaging often form part of the trademark – appears in a comparative advertisement.

The proposed UK trademarks bill clearly specifies that the use of trademarks by others should be allowed "for the purpose of identifying goods or services".

However, not everyone is happy about such liberalisation. The Confederation of British Industry, the UK employers' organisation and representative of some of the largest brand leaders, opposes the development.

The CBI attempted to get the bill amended at an earlier stage of its passage so that trademark owners' permission would have to be granted, or, at the very least, owners would receive a warning that the trademark was to be used in comparative advertising.

'The viewer will sometimes confuse your competitor with your product. That's like throwing money down the drain'

Emily Marks, a CBI legal adviser, says trademark owners fear that brands in which they have invested could be damaged by competitors "riding on their backs" to promote their own products. There could also be the danger of selective or subjective comparisons being made and by the tima complaints are found to be justified, the damage to a brand would have been done.

Most of all, the CBI considers the trademarks bill provision ill-timed – a European Union directive on comparative advertising is in the offing.

"The European directive may overturn anything that's in the trademarks bill, so it'll all have to be gone into again," says Marks.

European Commission plans for a directive have been around, in various forms, since 1978. A detailed set of draft rules, which would have allowed comparative advertisements – provided they were restricted to comparisons of objectively verifiable features of goods or services – was thrown out by member states as being overly-prescriptive.

A much simplified version is likely to emerge from the commission this year.

At present, eight EU countries allow comparative advertisements, with varying conditions, while four – Belgium, Germany, Italy and Luxembourg – either ban the practice or have restrictions making it virtually impossible.

If the EU directive does result in Europe-wide liberalisation, are there any lessons that can be learnt from the US experience, where comparative advertising has been used for the past 20 years?

Phil Dusenberry is chief executive in New York of BBDO, the advertising agency which has produced a number of advertisements for Pepsi, including the chimp one. It has also produced comparative campaigns for Visa and American Express, and Pizza Hut against its competitors. Dusenberry says the technique has many advantages but also numerous pitfalls. "You have assiduously to avoid confusing the consumer. The casual television viewer will sometimes confuse your competitor with your product. That's like throwing money down the drain," he says.

Dusenberry also believes that a light touch works best, particularly when the difference between brands is a matter of taste – as in Pepsi and Coke – rather than a clear-cut product advantage.

"If you come on too heavy-handed, you could look like a bully or a terrier nipping at the heels of the competition in a way that's off-putting and offensive. Usually the best kind of comparative advertising is done with a sense of humour, with a smile, rather than a sledgehammer," he says.

Coca-Cola, meanwhile, fails to see the joke. A statement in response to questions about Pepsi's latest advertising reads: "The Coca-Cola Company is not opposed to comparative advertising as long as the comparison is objectively chosen material, relevant, and scientifically measurable." Somehow, one suspects Coca-Cola is unlikely to see the chimps experiment as scientifically valid.

The Sun pokes fun at Mirror sales in a recent newspaper advertisement

Cossetting turns a journey into a voyage

Charles Batchelor on how BR's cross country service is seeking more long-distance travellers

British Rail's promotion of its high-speed InterCity links has been highly successful. It faces a harder task "selling" the attractions of its slower, cross-country services.

One initiative which seems to be working, though, is BR's new Voyager service for the long-distance traveller, which uses a marketing approach likely to be more widely adopted when parts of the state-controlled rail network are franchised out to the private sector.

The problem on many of BR's longer routes is appealing to distinct types of customer – short journey commuters, "long haul" businessmen, and holidaymakers. The daytime Cornishman, for example, which takes nearly 12 hours to cover the 689 miles from Dundee to Penzance, starts as a commuter train around Dundee and then carries business travellers between Edinburgh and York, and Birmingham and Bristol. From Bristol west to its final destination, commuters and leisure travellers again predominate.

The challenge for BR has been to persuade more travellers to take the train for its entire journey or at least a substantial part of it.

InterCity Cross Country not only has to overcome travellers' reluctance to use the train. It also faces stiff competition from express coaches, which now account for nearly 15 per cent of leisure travel between Scotland and the south-west of England, a similar percentage to that taken by rail. The airlines have a one per cent market share with the rest accounted for by the private car.

InterCity talked to people who had not used a train for at least 10 years, asking their views on ticket prices, standards of buffet service and overcrowding. Many were quite nervous about making a long journey; they were unsettled by the comings and goings of the short-distance travellers and concerned about leaving their seat and their luggage to go for refreshments.

"People wanted more than a seat on a train," says Alison Morris, marketing development manager for InterCity Cross Country services. "We had to devise a service which matched the cossetting which the coaches and the airlines give their passengers."

Intercity Cross Country's response was to launch its Voyager service. Tickets must be bought by noon on the day before travelling and this automatically reserves a seat in a specially designated carriage from which other travellers are barred.

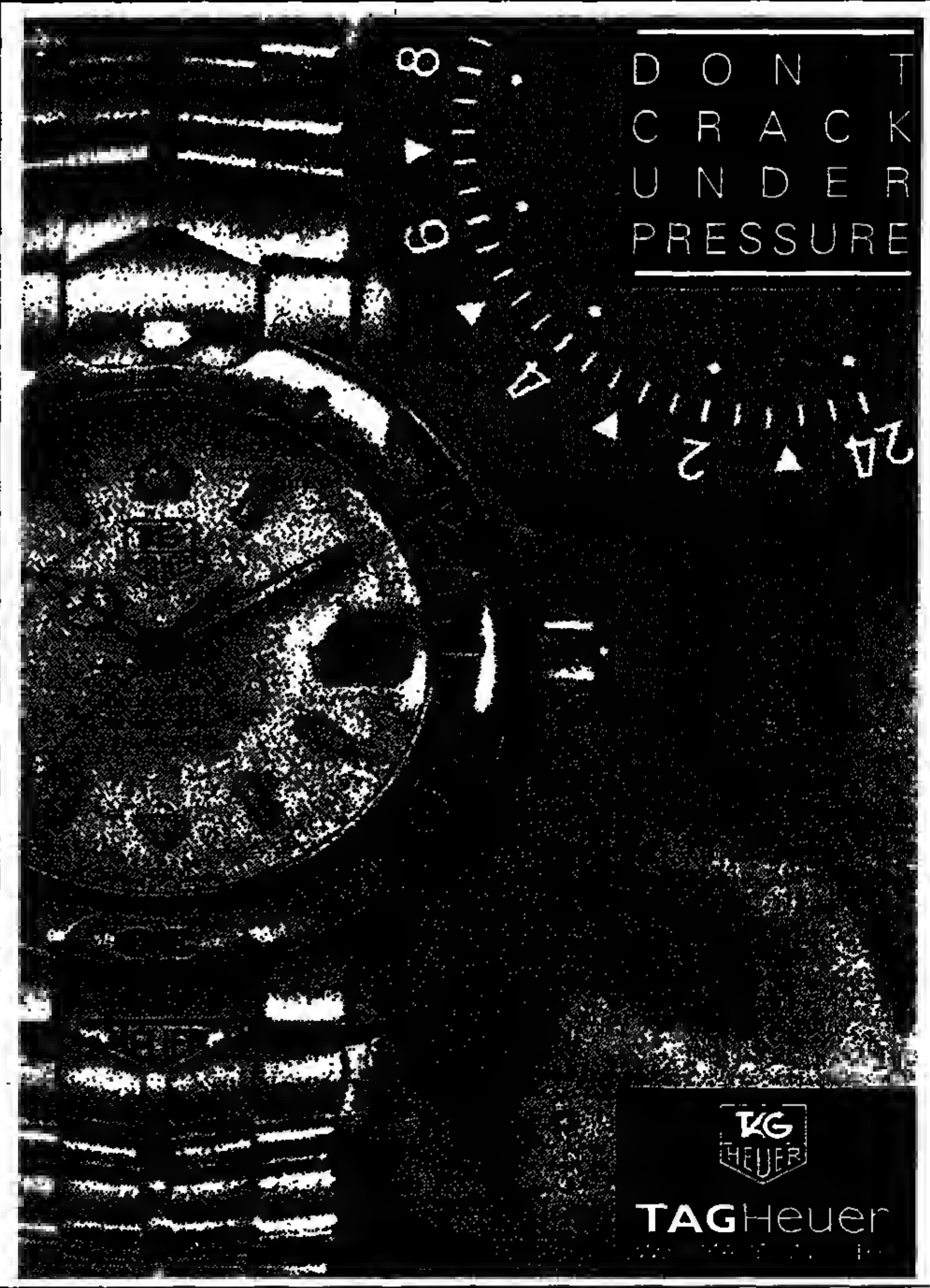
A steward or stewardess is allocated to the Voyager carriage for the entire journey; two hot meals and regular tea and coffee are provided at the traveller's seat as part of the price.

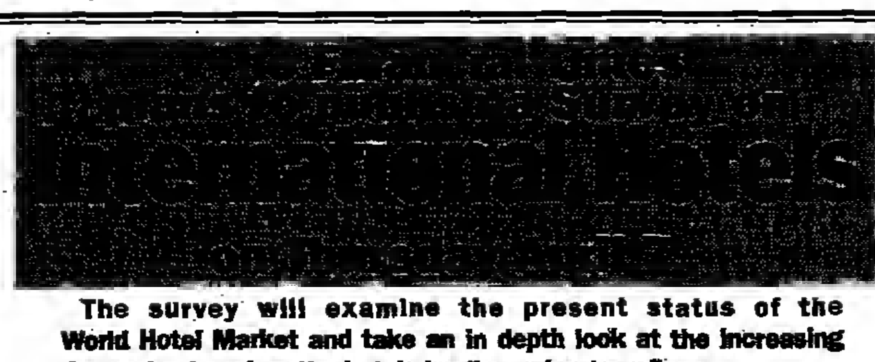
This additional level of service has proved popular with the elderly travellers who make up the bulk of the leisure market between Scotland and the south-west. Many are women travelling alone to visit relatives. Before the Voyager service was launched last May, 50 people per train in summer were making the entire journey and just under 40 in winter.

A recent survey showed that 23 per cent of travellers said they would not have taken the train but for Voyager. From this it forecasts about 600 extra passengers in its first year. This is not a large addition to the numbers already travelling but Cross Country believes the service will attract more as it becomes better known. Ninety-six per cent of travellers said they were satisfied with the service.

InterCity Cross Country recently extended the service to cover journeys starting from the north-east of England to the south-west and is thinking of introducing it on its routes from Scotland to south coast resorts such as Poole and Brighton.

When Cross Country, like BR's other subsidiaries, is franchised out to the private sector, innovative marketing is one tool which many BR managers intent on buy-outs plan to employ.





TECHNOLOGY

Daniel Green examines the continuing search for an effective sepsis treatment, in a series on drugs

Deadly challenge proves costly

Sepsis kills more than 200,000 people a year in Europe and North America and has been almost as lethal for at least three large US biotechnology companies.

Each tried to develop drugs to treat sepsis, which literally means infection. The drugs promised much early development but eventually failed to fulfil their promise at a cost of millions of dollars.

The demand for a sepsis treatment nevertheless remains strong. Sepsis victims can spend weeks in intensive care where costs can exceed £2,000 a day. With no clear cure yet, the financial rewards for any company that develops a successful sepsis drug are enormous.

The medical challenge is just as large, because of the condition's complexity. Sepsis is difficult even to define. Doctors variously describe it as a bacterial infection of the blood, acute low blood pressure (which is why it is sometimes called septic or toxic shock) or a body-wide inflammation of vital organs.

All three are correct in their way. A sepsis drug is one that tries to deal with the kind of overwhelming infection that sends people into intensive care wards.

Once there, the problem is not only the infection, but the body's response to it. As the infection spreads, the body releases scores of chemicals, called cytokines, to try to fight it. The effects of these include a rapid fall in blood pressure, leading to shock, and inflammation in many parts of the body – systemic inflammation.

This combination of infection by poison-exuding bacteria, low blood pressure and systemic inflammation leads to the failure of vital organs and eventually death.

One doctor working for a health regulatory body says: "The body is simply overwhelmed. Even heavy doses of antibiotics do not work." About half of all sepsis sufferers die within 28 days of diagnosis.

Infection, shock and inflammation affect each other in the human body by a variety of biochemical mechanisms called a cascade. The precise mechanism is not yet clear, and there may be more than 100 cytokines involved.

This means that even if a drug succeeds in blocking part of the cascade, the step could be bypassed and shock or systemic inflammation arise by another route, according to intensive care specialist Dr David Bennett of St George's Hospital, Tooting, London.

As if that were not enough, sepsis victims can range from a young person in a car accident to a mother in childbirth or a pensioner suffering from a chronic disease such as diabetes or cancer. Not surprisingly, these patients can react differently to the sepsis and any drugs they receive. A typical large hospital may have only one sepsis victim a week, so conducting statistically significant clinical trials is difficult.

With such uncertainty over the mechanism of sepsis and how to test potential treatments, drug companies follow any of a score of different approaches to controlling the condition. The three US biotechnology companies that have so far failed to demonstrate the effectiveness of their drugs illustrate two such approachaa. Centocor and Xoma developed anti-endotoxin drugs which block some of the poisons produced by bacteria.

Last year, Centocor had to stop clinical trials of its drug Centoxin after data showed that patients on a placebo lived longer than those on the drug. Most of the company's huge sales and marketing team, built up for Centoxin's launch, lost their jobs. Six months earlier, the US Food and Drug Administration decided that trials of Xoma's E-5 drug did not prove its efficacy.

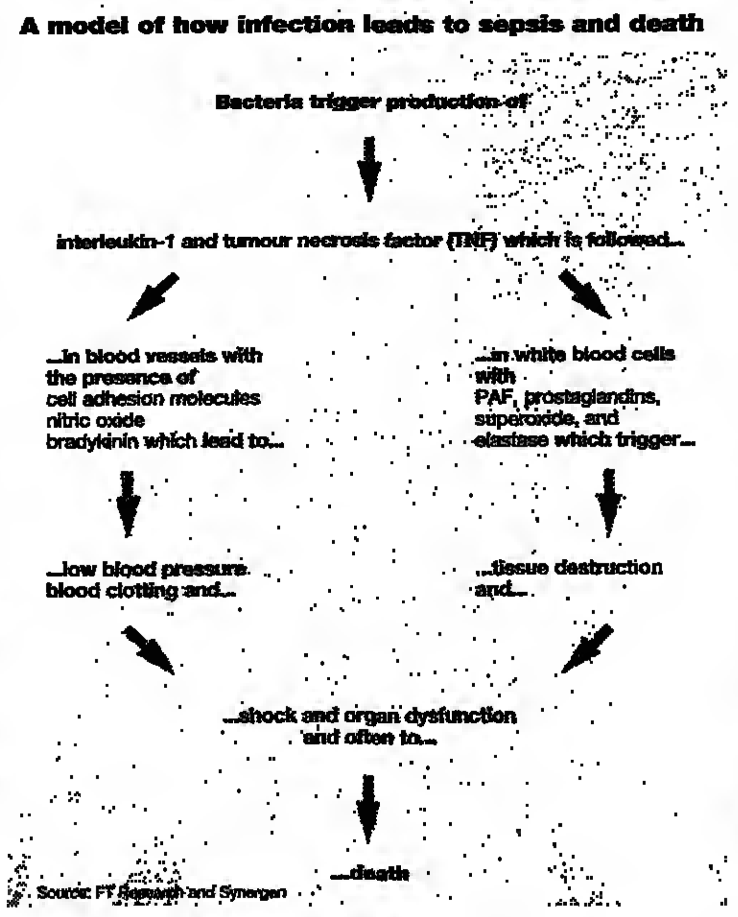
But in the third case, that of Synergen, the evidence is more ambiguous. Its drug, Antril, is designed to block the effects of interleukin-1, a chemical involved at an early stage in the onset of sepsis. A year ago the company's chief executive left after Antril's apparent failure in clinical trials.

The three companies had a combined peak market capitalisation of $4.5bn (£3.1bn) two years ago. The figure now is less than £1bn.

Further analysis of the Antril trials, published two months ago, shows that it may be effective in especially sick patients, says Bill Sibbald, a professor of medicine and head of the critical care programme at the Victoria Hospital in London, Ontario, Canada.

Sibbald acknowledges, nevertheless, there needs to be more data from clinical trials before there is strong evidence of whether Antril works. That applies to a greater extent to those drugs yet to face the full rigours of large clinical trials.

A model of how infection leads to sepsis and death



Source: FT Research and Synergen

One popular alternative to tackling interleukin-1 is to block the action of another protein – tumour necrosis factor (TNF) – involved early in the sepsis. Companies that have followed this route include Celltech, one of the biggest UK biotechnology companies, Bayer, the German pharmaceuticals group, Chiron, one of the largest US biotechnology companies, and Centocor with another drug.

However, this method may not solve the problem of sepsis either. At least one set of clinical trials with an anti-TNF drug has been stopped in recent months because there appeared to be no benefit to patients. "TNF may not be in the right place in the cascade to be the right target," says the deputy chairman of one biotechnology company.

British Biotechnology, which announced plans this week to raise £93m from its shareholders, has a drug called Lexipafant. It acts against platelet activating factor (PAF), yet another part of the cascade. PAF activates the body's defensive white cells, but when over-produced encourages the white cells to attack healthy tissue.

But PAF combatting agents have also had mixed fortunes in trials. A number of established drug companies on both sides of the Atlantic are thought to have abandoned or cut back on PAF research.

Another route is being followed by Cortech. The US company has a compound called Bradycor which interferes with the action of bradykinin, part of the inflammatory cascade. Other companies, such as the UK's Wellcome, are tackling nitric oxide (a corrosive chemical produced during sepsis that lowers blood pressure), chemicals that bind bacterial poisons to cells and those that attach the body's defensive white blood cells to otherwise healthy tissue. Wellcome announced yesterday that it had licenced a nitric oxide fighting chemical from Fujisawa USA and hopes to start clinical trials later this year.

Yet more approaches are being followed by companies from small biotechnology businesses like California's Gilead through to drug industry giants such as Eli Lilly of the US and Japan's Eisai.

Sepsis is an example of a high-risk, high-reward therapeutic area in healthcare. That combination virtually guarantees that there will be no shortage of companies trying to find the solution.

But one thing independent observers agree on is that if an effective drug is identified in the short term, this will have as much to do with luck as science.

As Sibbald concedes, each of the clinical trials is also a test of theories of how sepsis works: no-one yet knows precisely which part of the cascade is crucial.

The difficulty of conducting statistically meaningful clinical trials remains. Bennett says perhaps 5,000 patients have been the subject of trials, compared with the tens or even hundreds of thousands normally demanded by government regulators of the healthcare sector. This is indirectly acknowledged by the drugs companies.

Robert Thompson, Synergen's vice-president for research and clinical affairs, says the right treatment for such a complex condition may have to be a combination of drugs.

There is still room for optimism, however. "We are not more than five years off from having therapies which modulate the inflammatory response syndrome in a beneficial way," says Sibbald. And then, he says, we can move from cure to prevention.

Next month, treatments for multiple sclerosis

■ Articles over the last six months have looked at pharmaceutical advances in the following areas:

Prostate	25 February
Wound healing	21 January
Obesity	23 December
Contraceptives	12 November
Anaesthetics	15 October
Diabetes	17 September

New directions for research resources

Andrew Fisher on why European companies must look to the future

Europe's industrial base is in danger of being eroded because of wrong use of its research resources, according to Hartmut Weule, head of research and technology at Daimler-Benz, the German motor, electronics and aerospace group.

Too much effort has gone into preserving the old and not enough into creating the new. Research funds have too often been allocated by the public sector, and this has tended to inhibit innovation.

Weule, addressing the European Union's industrial research and development advisory committee in Brussels, said Europeans were not tight-fisted nationally when it came to spending money on research. Germany spent 2.7 per cent of its gross national product on R&D compared with 2.8 per cent in the US and 3.05 per cent in Japan.

But in 1991, only 16 per cent of Germany's exports were of research-intensive, high technology products – in which R&D funding accounted for more than 8.5 per cent of turnover. In Japan, the figure was 27 per cent and in the US, 43 per cent.

The reason was that German exports had a high concentration of products from traditional sectors such as the mechanical engineering, electrical, chemical and motor industries.

Weule's comments are in line with the findings of Ifo, the German economic research institute, which said recently that the country's research efforts were too heavily weighted towards low-growth sectors.

"However," Weule said, "it's not just the Germans who are stuck in their ways. It's a European problem." Many companies did not make proper use of resources for research into future products. Nor did they put enough effort into evaluating the success of research. None of this was easy, Weule said, citing the extensive changes that Daimler had been forced to make in targeting its research after its 1980s expansion through acquisitions.

Daimler now compares its R&D efforts with those of other companies in different fields. Its spending is also focused. Some 70 per cent of its annual long-term research budget of DM500m (£200m) – part of the total R&D budget of DM9.3bn, 10 per cent of turnover – is concentrated on five future-oriented areas: transport drive systems, materials, energy technology, microelectronics, and technology and society.

Daimler was also increasing the efficiency of its use of resources by co-operating with other companies and institutes. "Anyone trying to 'go it alone' dissipates his energies," he said. Also, group research spending was organised strictly on a project basis, with clear time and cost frameworks. Two years ago, Daimler was the first European company to introduce a special research audit for its main research fields, involving group managers and outside scientists who also assess how well research is translated into products.

Weule said state funds should be redirected in the same way and not simply go into broad research areas of national economic interest. "We must concentrate on just a few future-oriented key fields." These would include: advanced production systems, information and communications technologies, power engineering, environmental technology, and vehicle and traffic engineering.

The allocation of funds would have to be planned by industry, science and the state. "To be successful in these fields, we Europeans must be ready to co-operate more closely – despite our tendencies to individualism." Daimler, for example, was co-operating with France's Aérospatiale on various projects, within the framework of Airbus Industries and of the Eurocolumbus space and Eurocopter helicopter programmes.

Individualism, Weule said, was a European strength where it led to creativity and a weakness where it led to egoism. "The complex high technologies we need to produce competitive products, processes and services for tomorrow's markets can only be realised in partnership."

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

In re:

FIRST CITY BANCORPORATION OF TEXAS, INC.,

Debtor.

Case No. 392-39474-HCA-11
Chapter 11

NOTICE OF THE HEARING TO CONSIDER APPROVAL OF PROPOSED DISCLOSURE STATEMENT

All creditors of First City Bancorporation of Texas, Inc. ("First City"), shareholders and other parties in interest, including all holders of First City common stock, First City Series A Preferred Stock, First City Series B Preferred Stock, First City Series E Preferred Stock, and the indenture trustees for the 13 1/4% Notes due September 15, 1992, the Floating Rate Notes due January 1995, and the Subordinated Floating Rate Notes due April 1996, issued by First City are hereby notified that on March 11, 1994, First City Bancorporation of Texas, Inc. filed a Disclosure Statement in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.

THE FILING OF THE DISCLOSURE STATEMENT IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSIDERED A SOLICITATION OF ACCEPTANCE OR REJECTION OF FIRST CITY'S PROPOSED PLAN OF REORGANIZATION (WHICH WAS FILED ON MARCH 7, 1994). Under the Bankruptcy Code, First City may not solicit acceptance or rejection of a plan of reorganization from creditors, shareholders and other parties in interest unless, at the time of or before such solicitation, there is transmitted to such creditor, shareholder or other party in interest *the plan or a summary of the plan, and a written disclosure statement approved, after notice and a* hearing, by the Court as containing adequate information.

PLEASE TAKE NOTICE that a hearing will be held to consider approval of the Disclosure Statement on April 18, 1994, before the Honorable Harold C. Abramson, United States Bankruptcy Judge for the Northern District of Texas, 1100 Commerce Street, 14th Floor, Dallas, Texas 75242, at 3:30 p.m.

PLEASE TAKE FURTHER NOTICE that all objections to the Disclosure Statement in order to be timely must be filed with the Clerk, United States Bankruptcy Court, 1100 Commerce Street, Room 14A7, Dallas, Texas 75201, and a copy delivered to (a) Carrington, Coleman, Sloman & Blumenthal, L.L.P. (Attention: Stephen A. Goodwin, Esq.), Attorneys for First City Bancorporation of Texas, Inc., 200 Crescent Court, Suite 1500, Dallas, Texas 75201, (b) Andrews & Kurth, L.L.P. (Attention: James Donnell, Esq.), Attorneys for the Official Unsecured Creditors Committee, 4200 Texas Commerce Tower, Houston, Texas 77002; (c) Akin, Gump, Strauss, Hauer & Feld, L.L.P. (Attention: H. Rey Stroube, III, Esq.), Attorneys for the Ad Hoc Committee of Holders of Series B and Series E Preferred and Common Stock, 1900 Pennzoil Place, South Tower, 711 Louisiana, Houston, Texas 77002; (d) Gibson, Dunn & Crutcher (Attention: Michael A. Rosenthal, Esq.), Attorneys for Ad Hoc Committee of Holders of Series A Preferred Stock, 1717 Main Street, Suite 5400, Dallas, Texas 75201 [illegible]

PLEASE TAKE FURTHER NOTICE that a copy of the plan and the above-referenced disclosure statement are on file with the Clerk, United States Bankruptcy Court, Northern District of Texas, Dallas Division [illegible]

PLEASE TAKE FURTHER NOTICE that, in accordance with Rule 3017(a) of the Federal Rules of Bankruptcy Procedure [illegible]

PLEASE TAKE FURTHER NOTICE that the Hearing described above may be adjourned from time to time without further notice to creditors or interested parties other than by announcement of the adjourned date at said Hearing.

DATE: Dallas, Texas
March 18, 1994.

/s/ Stephen A. Goodwin
Stephen A. Goodwin
CARRINGTON, COLEMAN, SLOMAN & BLUMENTHAL, L.L.P.
200 Crescent Court, Suite 1500
Dallas, Texas 75201
(214) 855-3000
(214) 855-1333 - Fax
ATTORNEYS FOR FIRST CITY BANCORPORATION OF TEXAS, INC.

Advertisement of Creditors' meeting pursuant to Section 48(2) Insolvency Act 1986
Company No. 1310360
Registered in England and Wales
A G BROOKER
HEATING CONTRACTS LIMITED

[illegible]

No. 00991 of 1994
In the High Court of Justice
Chancery Division
IN THE MATTER OF
BARRY WEHMILLER INTERNATIONAL PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

[illegible]

GOVERNO DO ESTADO DO CEARÁ
SECRETARIA DO DESENVOLVIMENTO URBANO E MEIO AMBIENTE DO ESTADO DO CEARÁ – SDU

CENTRAL COMMISSION OF BID
LICITATION NOTICE
INTERNATIONAL PUBLIC INVITATION TO BID Nº 016/94

The Central Commission of Bid, in the name of the Secretaria do Desenvolvimento Urbano e Meio Ambiente – SDU, invites brazilian and foreign construction companies from membrs of the Inter-American Development Bank – IDB to participate to the International Invitation to Bid Nº 016/94 destinated to the contract of works and services of the Infrastructure and Basic Sanitation Program of Fortaleza City.
The works and services, objects of the refered bid, are listed below:

AREA	RELATION OF WORKS	TIME OF EXECUTION (CURRENT DAYS)
1	Pumping Sewage Station of *Cocó River, flow 270 1/s*	150
2	Pumping Sewage Station – EEPF – 1, flow 101 1/s Pumping Sewage Station – EEPF – 2, flow 275 1/s	120
3	West Interceptor – extension 3.958m: diameter 1750 mm Main Colector – extension 4650m, diameter from 200 mm to 300 mm	240

Financial resources for the execution of the works, are provenient from the Infrastructure and Basic Sanitation Program of Fortaleza City, which parcial Financing was negociated by the Government of Ceará State with the Inter-American Development Bank – IDB. The contract of the works must be submitted to the dispositions of the Contracts of Financing Nº 695/OC – BR and 892/SF – BR firmed with IDB in December 09, 1992.

The documents of prequalification and proposal of prices should be sent on May 13,1994 at 13:00 hour (Brasília Time) at the follow address: Rua Silva Paulet nº 324, Aldeota – Fortaleza – Ceará – Brazil, in two sealed envelopes consisting of: Envelope "A" – *Documents of Prequalification* and Envelope "B" – Proposal of Prices.

A complete set of bid documents may be purchased by any interested eligible bidder at Secretaria do Desenvolvimento Urbano e Meio Ambiente – SDU located at Centro Administrativo Governador Virgílio Távora, Cambeba – Fortaleza – Ceará – Brasil, Cep: 60839-900 by the payment of a nonrefundable fee of CR$ 40.000,00 (Forty thousand cruzeiros reais) from the period of March 31st, 1994 to May 13, 1994.

Fortaleza – CE, March 31st, 1994.
The Commission of Bid

LEGAL NOTICES

1994 No. 16 Cos
The High Court
IN THE MATTER OF
M F KENT & CO. (INTERNATIONAL) LTD
TREENAGH INVESTMENT COMPANY
DARWAY COMPANY
UKEN (RESEARCH & DEVELOPMENT) LTD
(Under the Protection of the Court)
and
IN THE MATTER OF
THE COMPANIES (AMENDMENT) ACT, 1990

NOTICE is hereby given pursuant to Section 17 of the Companies (Amendment) Act, 1990 that by Order of the High Court made on 24th day of March, 1994 it was directed that a hearing to consider matters arising out of the report of the Examiner made in respect of the above named companies under Section 15 of the Act be held at the Four Courts, Dublin, Ireland on Wednesday, 13th day of April, 1994 at 11.00 o'clock in the forenoon and that any creditor or member of the said companies who wishes to be heard at the time of the said hearing may appear by himself or by counsel for that purpose and a copy of the said Report will be furnished to any creditor or member of the said companies who requires it by the undersigned on payment of the regulated charge for the same.

Dated this 25th day of March, 1994

Signed:
WILLIAM FRY
Solicitors for the Examiner
Fitzwilton House
Wilton Place
Dublin 2, Ireland

Notice of appointment of Administrative Receiver
S I INDUSTRIES LIMITED

Registered number 2688839. Former Company name: Law 417 Ltd. Trading Name: SI Industries Ltd. Nature of Business: Manufacturer of Refrigeration Equipment. Trade classification. 7. Date of appointment of administrative receivers 12.1.94. Name of person appointing the administrative receivers Barclays Bank plc

S P Holgate and N J Vooght
Joint Administrative Receivers
(Office holder Nos: 7991 & 6339)
Address: Coopers & Lybrand, 9 Greyfriars Road, Reading RG1 1JG

PERSONAL

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ACCOUNTANCY COLUMN

Beyond this point predators may lurk

Andrew Jack considers the possible consequences of the latest round of potential mergers in the profession

Rumours are rife this week of a radical merger that would provida a substantial shake-up to the existing structure of the accountancy profession.

A hefty giant is threatening to take over a collection of smaller entities in a consolidation that could have substantial ramifications for the delivery of services.

A new stage has been reached following discussions in the last few days, although it may yet be a good length of time before any deal comes to fruition while all those involved huddle together to debate the options.

It follows a long period of sometimes tense courtship, with successive and competitive bouts of broken engagements in the past and role-reversal as pursuer and pursued for the prize.

There is a risk that if things do not go to plan, attempts at merger could instead lead to a further and embittered fractionalisation.

The potential for failure is certainly high. Fragile egos are at stake, careers could be jeopardised, jobs may go, and there is also an enormous potential for a clash of cultures.

A good degree of bitterness and backstabbing has already been in evidence, with those less reluctant to go ahead indulging in selective and embarrassing leaks to the press.

In spite of the emphasis on the word "merger" in public, such combinations generally end up as takeovers by the dominant party, as any accountants worth their charge-out rates will concede.

The driving force is naturally a commercial one, with some keen competitive concerns between the rivals making the merger attractive as a way to gain clients and maintain or boost market position.

Tha spread of resources from around the country and the potential market across the world make the merger seem in many ways an attractive proposition.

The rumour in question is, of course, the possible merger of the UK's six leading professional accountancy bodies. Equally, however, it is the possible merger of the two accountancy firms Arthur Andersen and BDO Binder Hamlyn.

For in all the respects listed above, both mergers are remarkably similar. Yet in most other ways, they are extraordinarily different.

The former has a history stretching over decades, will probably take years more to evolve and is characterised by a good deal of hostility. It is also frankly all but irrelevant to the outside world.

The latter has been just a few months in the making, will likely be concluded one way or another by the summer, and looks set to be conducted on relatively friendly terms. It will also probably have a more important outcome for the world at large, as the "Big 6" firms boost market share still further.

At the start of last week, the Consultative Committee of Accountancy Bodies met to ratify the report of a working group it had set up nearly a year earlier chaired by Mr David Bishop of KPMG Peat Marwick. This endorses calls for "rationalisation" of the profession.

A week before, Mr Jim Wadia, managing partner of Arthur Andersen, the UK's fourth largest firm, wrote proposing a merger to Mr John Norton, senior partner of BDO Binder Hamlyn, the eighth largest firm.

Drawing comparisons between the two accountancy firms in question and one or more of the six professional accountancy bodies is difficult. There is perhaps at least a limited parallel, with the Institute of Chartered Accountants in England and Wales playing the Arthur Andersen role in taking the initiative.

Some sceptics suggest that the institute has been driven to act by financial worries and concern about its waning influence in the longer term, notably a tailing off in the growth of student recruitment.

This is happening at a time – and partly as a result – of the success of the other professional bodies, notably the Chartered Institute of Management Accountants in the UK with its members steeped in practical experience, and the Chartered Association of Certified Accountants with its aggressive marketing of its qualification overseas.

Meanwhile, Andersen believes that Binder is a tempting target because of its healthy list of quoted clients, and because it thinks it may be difficult for the smaller firm to hold on to this group for much longer.

Arguably some of the 11 regional partnerships within Binder – which must each vote on the merger – are in the position of the Institute of Chartered Accountants of Scotland, which is proud of its small but separate stance while a little nervous of being swallowed alive in a merged entity.

Andersen stresses that Binder would be able to retain something of its own identity and possibly its name in a merged UK firm. The Bishop proposals make similar claims for the professional bodies and their constituencies, with a tortuous set of elected and co-opted regional bodies, co-ordinating groups and special interest sections.

The sceptics in both mergers would argue that before long the differences and distinctive qualities are more likely to disappear, after a good bout of indigestion and some bloodshed.

The two firms need to be sure that a merger will not lead to assuming substantial overheads and less significant smaller clients while losing Binder partners, staff and worthwhile clients.

The six professional bodies need still to justify how a single body will cope any more effectively than the present system with such a diverse group of members' interests and public interests.

The next few months will be decisive. Andarsen'a Jim Wadia has already been given considerable authority to negotiate a merger, and final approval at a worldwide partners' meeting could be granted by July 1 if Binder agrees.

In the labyrinthine world of the politics of the professional bodies, such speed will be lacking. Market researchers can at least look forward to a lucrative time, with several surveys of accountants to canvass views in the offing.

Judging by unpublished information from some joint market research conducted more than a year ago, the UK and Ireland'a three chartered bodies will have an uphill task trying to persuade their members to agree to their colleagues sharing the title "chartered accountant". Less than 30 per cent in each body approved the idea then.

That should come as no surprise, given that it was the Institute of Chartered Accountants in England and Wales which failed to vote in sufficient numbers for a merger with the Scots in 1970, or with the Chartered Institute of Public Finance and Accountancy in 1990.

Equally, other confidential responses in the research suggested that only a third or less of the members of four of the six bodies supported the idea of an institute divided in three geographically. The exceptions were the Scottish and Irish chartered accountants.

Mr Ian Plaistowe, a former president of the English and Welsh Institute, may be a senior Andersen partner as well as a member of the Bishop working group.

But there the similarities do end. The action taken by his firm is likely to be far more clear-cut and rapidly resolved than that of his professional body.

PEOPLE

Succession becomes clearer at M and S

Clinton Silver, deputy chairman and joint managing director of Marks and Spencer, is retiring at the end of July after 42 years with the company. He is to be replaced as deputy chairman by fellow joint MD, Keith Oates.

The appointment is seen as marking out Oates (right) as the likely successor to chairman Sir Richard Greenbury – a prospect welcomed yesterday by City analysts.

In three years as vice chairman, Silver, 64, has seen Marks and Spencer regain from J. Sainsbury the title of the UK's most profitable retailer. He is described by company insiders as having "an encyclopaedic knowledge of the business" and as having provided invaluable support to Sir Richard. Analysts say the affable Silver formed an effective partnership with his more ebullient chairman. He is likely to retain some links with M&S through his chairmanship of the British Fashion Council.

Silver, 64, joined M&S in 1952 and held several positions in head office before being appointed an alternate director in 1974 and a director in 1978. He became a joint MD in January 1990, responsible for buying all clothing, homeware and food.

Oates, 51, by contrast, is not a career M&S man, joining as finance director in 1984.

A strong personality with a sharp financial brain, he has been the driving force behind M&S's expansion in the financial services field. He spent seven years in finance at IBM and four at Black and Decker's European headquarters in Brussels, before spending six years with Thyssen-Bornemisza in Monaco, where he rose

to become vice-president, finance.

Oates was appointed joint managing director of M&S in 1991, with responsibilities for finance, group expenditure and overseas operations. He was a governor of the BBC from 1988 to last year.

M&S also announced the creation of three new managing directors' posts – one of whom, analysts suggest, may be the next chairman but one.

Andrew Stone, since 1990 director responsible for ladies' outerwear and lingerie, becomes MD responsible for clothing, homeware and general merchandise. Guy McCracken, director responsible for the food division since January 1993, becomes managing director with responsibility for food.

Peter Salsbury, director of personnel since 1990 and of store operations since last year, becomes MD with the additional responsibilities of store development and estates.

In addition, Derek Hayes, divisional director responsible for European retail operations, and Barry Morris, divisional director responsible for womenswear, are both promoted to the board.

Gap half plugged at Severn Trent

Severn Trent has taken steps to fill the gap which will be left when the outspoken John Bellak retires as chairman today. However, the appointment was greeted by the City as something as a stopgap measure.

Richard Ireland, deputy chairman since December 1992, was yesterday named as chairman "until the appointment of a new chairman who will lead the company into the next decade". Ireland, also finance director of Wolseley Group, has been a director of Severn since privatisation in 1989.

Severn refused to elaborate on the oddly-worded statement. "We are being up-front by saying that Richard Ireland will be chairman as from tomorrow, but the search for a chairman to lead us into the next century continues," it said.

The City speculated that Severn was hedging its bets. "It is understood that Ireland had wanted the job, but the company was frightened of taking him on," one analyst said. "He is known to be very strict and ... would pare the business down to what is sensible."

Severn has been widely criticised for the financing of Biffa, the waste management company it purchased for £212m in 1991. Analysts estimate that although profitable at the operating level, it could be some time before Biffa peys its financing costs.

■ Meanwhile, North West Water sought to put the seal on a new era with the announcement that Alan Dean, business development director, would be stepping down from the board. He will remain with the company although he planned to increase "his other interests outside", the company said.

Dean was a key member of the acquisitions team built up by Bob Thian, the chief executive who departed abruptly last year.

Taking stock at Stock Exchange

Martin Hall, 49, head of public policy and external affairs at the London Stock Exchange, is to leave at the end of June.

Hall, an ex-diplomat who joined the exchange in 1988, is the latest in a string of departures. Jane Barker, 44, the chief operating officer and finance director, left in February to move to California, and Peter Gerrard, 62, is retiring as general counsel in April.

The departure of Hall, who had been in the running to be head of corporate affairs at the BBC, appears to have been prompted by the decision of the new chief executive, Michael Lawrence, to split Hall's job in two and take the public policy element under his own wing.

The responsibility for handling the exchange's corporate communications will be taken over by Kate Bowes, 45, head of publicity and promotion.

The retirement of Gerrard, a former senior partner of Lovell White Durrant, means that his responsibilities for regulation will be taken over by a new head being recruited from outside.

The new executive will be responsible for the exchange's five regulatory functions – listing, market surveillance, market supervision, membership and settlement regulation, and regulatory development.

Meanwhile, the exchange is still seeking to fill the other slot vacant in its reorganised top management team – head of finance and planning. Last month Christine Dann was promoted to director of business operations.

The other members of the exchange's management, in addition to Dann and Bowes, are: Giles Vardy (markets development and marketing), Keith Robinson (secretariat and legal), Lorraine Trainer (human resources and property).

Opportunity for Naish

Peter Naish, former chairman of the National Federation of Housing Associations, was yesterday appointed as the new chief executive of the Equal Opportunities Commission.

He succeeds Valerie Amos who left a year before the end of her contract to pursue other interests. It was understood that she had some difficulty in developing a good personal relationship with Kamlesh Bahl who took over the commission's chair in June.

The job of chief executive – which attracted 150 applications – is mainly a management one of implementing policy, with the role of lobbying the government, developing a public profile and making policy resting with the chair.

■ S.G. Warburg has recruited two non-executives to its board. Paul Fentener van Vlissingen, 53, chairman and chief executive of SHV Holdings, a privately-owned Dutch consumer goods and energy company, has joined the board with immediate effect and Brandon Gough, 56, who will shortly retire as chairman of Coopers & Lybrand, is joining on June 1.

For the past decade Fentener van Vlissingen has headed a family business whose interests range from the Calor gas operation to retailing.

Cinema/**Nigel Andrews**

Fab Five adrift in Hamburg

Kalifornia: Early (Brad Pitt) forces Brian (David Duchovny) to fire the gun

Backbeat: Astrid (Sheryl Lee) takes a photograph

Some films seem created entirely out of "almosts". Consider *Backbeat*. Stuart Sutcliffe was famous – or almost – as The Beatle who never was – or almost never. Ian Softley's lithe, evocative but in the end maddeningly inconsequential film recreates the Fab Four's formative visit to Hamburg in 1960 when they were the Fab Five.

Sutcliffe, played accent-perfect by American Steven Dorff, was the bass player destined to be left behind in Germany. For as well as getting up the nose of Paul McCartney as a musical performer Sutcliffe fell in love with photographer Astrid Kirchherr, played by another American Sheryl Lee.

Sutcliffe had a rival career as an almost-famous painter of Jackson Pollock-ish abstracts. And to complete the misfit-genius credentials, he had a doomed kismet as a man who would die young: in April 1962, from a brain haemorrhage.

BACKBEAT (15)
Iain Softley

KALIFORNIA (18)
Dominic Sena

THE SCENT OF GREEN PAPAYA (U)
Tran Anh Hung

BELLE EPOQUE (15)
Fernando Trueba

Many ingredients, many flavours, but ... what are they meant to add up to? Softley begins promisingly, with an Olympian crane shot that descends into 1960 Liverpool like s visiting god of hindsight seeking vital clues. Soon the famous ones are picked out from the Swinging Britain identity parade – John the witty, deadpan drawler (Ian Hart, looking and sounding startlingly like David Thewlis in *Naked*). Paul the one with vertical lift-off eyebrows (Gary Bakewell), George the scowly-handsome one hanging back from the limelight (Chris O'Neill). And Ringo? Ah, he is just a fella dropping by in Hamburg, because as all Beatlologists know Pete Best was Mr Percussion at that time.

Interesting themes are picked up, looked at and then put back, as if by a high street shopper dazed with indecision. Was John Lennon bisexual? (Astrid thinks he fancies Stuart and there is much ambivalent banter between the two lads a sharing a Reeperbahn bunk bed). Was Paul or John really running the show? And did Astrid'a former boyfriend Klaus, who went on to design the lads' *Revolver* album, also influence their mophead hairstyles?

The film starts to tackle each of these questions; then it doesn't. Perhaps everyone thought it was enough for the Anglo-American market – and you see the ocean-straddling mentality in the two American leads and the easy-to-digest view of British cultural history – that the larky legends should just get up there on screen, strum their stuff for immortality and the tie-in album, and leave a few interesting bodies in their career wake.

*

Kalifornia gives us another, not-so-fab foursome adrift in wonderland. Imagine that you are an aspiring writer (David Duchovny) contemplating a book on serial killers. You wish to visit famous murder spots across America. But you and your photographer girlfriend (Michelle Forbes) need a ride-sharer to co-fund the trip. So you pick up this ragged, bearded Antichrist figure (Brad Pitt) with his deeply dippy girlfriend (Juliette Lewis). And what should he turn out to be? Yes: a serial killer.

Just imagine all those Hollywood producera yelling "High-concept!" at this idea. Soon the American dreamscape is crackling with menace, as the car rumbles from one famous killing ground to another and Mr Pitt's character, named "EarlyGrayce" for symbolism addicts, graduates from petty theft to mild brutality to murder. Duchovny and Forhes should have noticed the Early warning signs. This man picks his toes through the holes in his socks: whips his girlfriend in the privacy of his own motel room; and has a Southern accent that sounds as it was bought at an Actor'a Studio Halloween sale.

Writer Tim Metcalfe and director Dominic Sena so load the journey with menace and inevitability that there is no room left in the hoot for humanity or serendipity. Even the laughs the film extracts from Early's backwoods philosophising – "People think quicker out there (California) 'cos of all thet warm weather!" – are too arch and programmed. And when we come to the film's own final message, to the effect that Duchovny and Forbes's pseudo-scholastic prurience is bloodbrother to Early's enacted viciousness, we hear the sound of Hollywood itself dressing up blood-and-thunder in the robes of moral enlightenment.

*

The Scent Of Green Papaya won its Vietnamese writer-director Tran Anh Hung the Camera D'Or – or best first film prize – at last year's Cannes festival. Set in 1950s Saigon, for controlled beauty of imagery it should leave every other movie this year standing.

It is meant to be about a young country girl Mui (Tran Nu Yen-Khe), drawn into the timeless trap of female servitude as she ministers to a middle-class family. It is more about the film-maker's lyrical eye, drawn into the timeless trap of reckless beautification. The camera glides over floors, across latticework screens, through palm fronds, even into the eye of a steaming, sizzling wok. Or we linger on a row of towels or pair of slippers, bathed in the silvery musk of night.

The announced theme of female oppression barely gets a look in. And if it did, how could we believe that living in this ocular paradise is oppressive? Even when the local urchin turns up to hreak wind or to pee into the priceless vases, we admire the balletic way he does it. And when we fast-forward a decade to glimpse Mui in conjugal hliss with one of the sons, we know that the film has given up all pretence at social-domestic realism.

This *is* a masterpiece of sort. One just wonders if it is the masterpiece Tran Anh Hung intended. We are led by the maker'a own dicta to expect a feminist fable gritted with everyday truths. We get something that at worst resembles a Vogue magazine "Vietnam edition" – ravishing to the senses, full of *l'exotique voilé* – and at best announces a director whose visual sense may soon outleap not just his material but many of his modern rivals.

Green Papaya should have won last week's Best Foreign Film Oscar. Instead Spain's *Belle Epoque* heat it to the bronze doorstopper. But then think of those poor academicians: force-fed with home-grown movies for the whole of March and then faced in the arthouse category with a choice hetween opiate-imaged Eastern minimalism and this raunchy, simple romp – a sort of Iberian *Tom Jones* – about a handsome servant boy (Jorge Sanz) bedding all four daughters of his mangy, goodhearted employer (Fernando Fernan Gomez).

Director Fernando Trueba probahly intended a fable about thetimeless trap of servitude. If so he forgot about it at the first shout of "Action". There ensues much rumpy-pumpy: much giggling in the servants' quarters, and much juggling with goldlens-filters hy cameraman Jose-Lnis Alcaine, as if trying to impart distinction to this long and stuhbornly lightweight shagging-dog story.

Theatre

A Month in the Country

"For the first time. I am in love." Helen Mirren, playing Natalia Petrovna, wife and mother caught between youth and middle age, is alone onstage. She has fallen for Beliaev, her son's tutor, and she speaks these lines in a daze of wondering gratitude, and through a mist of tears. In the next second she turns brisk, her voice hardens, she adds "He's got to go" – and the whole theatre bursts into laughter.

With this split-second change of tone Mirren catches the self-contradictory essence of Natalia Petrovna, the heroine of Turgenev's only play; and in this extended scene alone, full of such sudden contrasts, she shows many more facets of this one woman. Amid a comedy of conflicting desires, Natalia is forever dramatising herself. This makes her touching and absurd. And yet, like a Marivaux heroine, she also manipulates the lives of people in her power, more or less heartlessly. Mirren shows all this, and with absolutely no grande dame airs or bids for our sympathy.

Wonderful to have Mirren in the West End again, and to watch her in a role worthy of her calibre. (Her only serious miscalculation is a dragged-out final exit, and a light dismissal of her long-trusted admirer Rakitin that is even lighter than Turgenev can have intended.) The great risk she takes is to emphasise Natalia's self-dramatising capriciousness even more than her sincerity. We believe that she has fallen for young Beliaev; but not always. When she says "He's a real man," we laugh; but we do not believe that she means it so much as the dramatic scene she is acting in her own head. In her big Act IV scene with him, she exposes her heart to him with beautiful simplicity, tells him to go – and then says "Well, why aren't you going?" so sharply that we wonder how artless the previous speech really was. In short, we never quite know this Natalia; and that is her fascination.

It is her fascination in particular for Rakitin, who is splendidly played by John Hurt. His lined face, practising hard to play W.H. Auden, is too old for the role (30 years of age, says Turgenev) hnt his spirit is Rakitin's to perfection. He watches Natalia rush off in Act II, and exclaims "What vivacity!" so coolly that it sums up his impotent, sardonic character in a trice. Finally in Act V he warns Beliaev of the perils of total love, of "how mnch torrid hatred lies hehind love . . . and what it means to belong to a skirt". Eighteen years ago in the same theatre, this speech was a high-water mark of Derek Jacohi's art. Jacobi spoke it with scorching hitterness; Hurt brings to it a vehemence thet becomes so violent and red-faced that – very strikingly – he has to stop. He is suddenly embarrassed, and shrugs off his tirade as if it had no meaning.

For Turgenev, Rakitin was something of a self-portrait for Turgenev; and the character's relationship with Natalis is something of a preparation for Trigorin and Arkadina in Chekhov's The Seagull.

The director is Bill Bryden. He shows how Russian A Month in the Country is in the way its wealth of detail brings a whole milieu to life: the mother-in-law's painful feet, the companion who takes snuff, the nonsense words coined by the rich, dull, old neighbour. It is Shpigelsky, the doctor, who epitomises all this darling trivia, and who observes Natalia's household cannily. John Standing brings this role an ideal quality of wry relaxation; then suddenly at the end adds an astonishing dash of bitter Russian ennui. Polly Adams, as his no longer young intended, performs with wit – and with rather more charm than this frowsty spinster warrants.

Joseph Fiennes brings the youthful, bashful, handsome Beliaev ntterly to life; and as Vera – Natalia's ward, who also falls for him – Anna Livia Ryan catches very keenly the hearthreak and hardness of adolescence, and its rapid fluctuations between childishness and adulthood. As Natalia's husband Gawn Grainger misfires on several counts – too sensitive a type to be so hlind to Natalia's real feelings, too urbane to be so thunderstruck. The production does not consistently catch Turgenev's beating heart, but it is fully alive to his endless ironies and tonching snrprisea.

Alastair Macaulay

At the Albery Theatre, WC2.

Theatre

Canterbury Tales

In the true Chaucer tradition, Michael Bogdanov's version of *The Canterbury Tales* is full of good clean dirty jokes. There is bawdy all over the place: some of it comes from the original, some of it has been added, but none of it is likely to offend. This is pantomime in the spring.

True, Bogdanov has gone for the more licentious tales. There is very little chivalry or courtly love. The knight does not get much of a look in. Yet this is as it should be, for the pilgrims as a whole were a bawdy lot with, incidentally, a good deal of sexual equality.

Bogdanov has also changed the framework. Instead of s prologue introducing the characters, there is a vicar hosting a competition for which tale can be best acted. The pretext is supposed to be the 650th anniversary of Chaucer's birth, but since the Bogdanov version has been around for some years and even the year of the birth (*circa* 1340) is uncertain, that is a detail.

There is a very jolly vicar played hy Nicholas Lumley. He resists the temptation to be over-camp: rightly, because there are plenty of escapades going on around him without an extra dimension. But he rigs the competition by trying to exclude The Miller's Tale on the grounds that it is not suitable for family viewing.

Yet there are limits to how the rigging can go. Wonderfully played by Brian Glover, who began his career as a professional wrestler, the miller is there in the audisnce even before the piece begins. He is up on stage telling blue jokes (some of them very funny, like the one about the normal, dyslexic and nymphomaniac hens) whenever the vicar turns his back. In short, the miller has the audience in his hands and, of course, his tale is told in the end by popular demand.

The doggerel in which the tales are related palls occasionally, but there is always the competition – and the splendid vicar – to return to. Audience participation abounds; if anything it is underdone – a Richmond audience, so close to Twickenham, would have liked a longer go at joining in *Swing low, sweet chariot*.

Malcolm Rutherford

Richmond Theatre until Saturday. Marlowe Theatre, Canterbury from April 11.

Dance/**Clement Crisp**

A sadly misconceived Sylvia

I reported on David Bintley's *Sylvia* last October, when Birmingham Royal Ballet first exposed us to it on their native heath. I cannot but feel that it would have been better to expose it on a hillside at birth. For it is, alas, a monster, a 24 carat, copper-bottomed, fully-guaranteed brute, which I find misconceived, misbegotten, and a miserahle indictment of artistic taste and policy.

Delibes' score is one of the greatest ever made for dancing, unfailingly mellifluous, grand, witty. (And Ashton's realisation of it in 1952, when he was at the height of his powers, ideally matched the music'a heauties, as did the design hy the Ironside hrothers. That version, of course, has long heen abandoned hy our national ballet). The story of the nymph Sylvia and her love for the ninny-ish Aminta is no great shakes, hut it appealed to the academic taste of the 1880s, which delighted in such classic nostalgia, be it in the music of Saint-Saens or the canvases of Bouguereau. Bintley mistrusts the tale, and its implicit style, and has sought hy an inept updating - which mingles classic myth with a dinner-jacketed hero arriving in a Bugatti - to make it seem more apt. In fact, his revisions, the conflicts between modern dress and antique manners - Eros shown as an old buffer in natty summer suiting; Orion, the villain, moving from rags to evening dress - fatally undermine any charm the narrative might have had. His *Sylvia* has less dramatic cogency than the original.

All this camping about with a classic past would be less tiresome were there compensations of step or design. What can hring on a flux of rage is the cussed, ungrateful choreography Bintley has made - his customary facility and felicity of means rarely apparent - and the awfulness of Sue Blane's design. A quasi-permanent set encroaches crudely on the stage (the dance looks cramped) and is seemingly made from giant crumplings of elephant-grey linoleum. An outburst of candles in Orion's grotto suggests we are in a maniac Lourdes (replete with pier glass, chair and sarcophagus bar). The last act is a muddle of antiqne columns as unlikely and rickety as the choreography's academism. Costuming ranges from the dull to the desperate - Aminta's last act rig includes a jerkin made from what I take to be ruched loo-paper: it makes him look like Quasimodo intent on a white wedding.

I have no patience with the piece, which I have seen three times. The BRB artists appear seriously undermined as classic dancers, their style optimistically busy and distinctly fuzzy round the edges. Nothing they do seems clear, true. At Monday's performance, which opened this short Opera House season, Miyako Yoshida repeated her pretty but recessive interpretation of Sylvia, with Kavin O'Hare as the dimmest of heros. On the next evening, Sandra Madgwick made much more of Sylvia - dance and character came into focus, bright in temperament, fleet in step - and Sergiu Pobereznik showed that Aminta was something more than the wimp he had been the night before. He has a fluent techniqne which deserves better. I report with continuing disbelief that, in the third act, Eros appears as a one-legged Pirate, a rat tacked to the back of his coat, spinning on his peg-leg, and reducing part of the audience to hysterics. The ballet reduced me to a state of ferocious depression. *Sylvia* is wholly unworthy of a national ensemble.

Birmingham Royal Ballet appears at Covent Garden with varied programmes until 8 April.

Miyako Yoshida . . . pretty but recessive

Frank Andersen's Jubilee

They do these things wonderfully well in Copenhagen. The ballet matters a great deal; dancers and choreographers are public figures – a postage stamp bore the portrait of the great Danish ballerina Margrethe Schanne - and the fortunes of the Royal Danish Ballet are of national concern.

Frank Andersen has directed the company for the past nine years - he will retire this summer - and this year celebrates his silver jubilee as a member of the Ballet. So, on Saturday night, there was a gala to mark his 25 years of service, and an occasion to thank him for his achievement as director.

It was a splendid occasion, with thet mixture of formality and happy ease which is one of the joys of the Royal Theatre. Queen Margrethe was in the Royal Box, a reminder of vital patronage – she has provided admirable design for that most national of Bournonville's works, *A Folk Tale* – and the audience knew it was there for a family celebration. There was nothing too serious, some nice jokes, wonderful dancing, and a merry determination to get everyone possible on stage somehow or other.

Thus the last act of the company's new *Sleeping Beauty* showed us roles being shared, sometimes in mid-variation. There were two pairs of Bluebirds – with Alexander Kolpin and Thomas Lund very buoyant - three Auroras and three Princes, so that Yury Posokhov and Lloyd Riggins played catch-as-catch-can in the Prince's solo and were tremendous.

Frank Andersen

It is one of the strengths of the Royal Danes that a career will start in childhood – peering and cheering from the bridge in the last act of *Napoli* – and continue well into autumnal years with rewarding character roles thet include *Napoli*'s lemonade and macaroni sellers. So the children of the ballet school came to salute Andersen (who is, officially, Royal Ballet Master) and danced featly to the adorahle rattle of the *Polka Militaire*, which was composed for Bournonville in 1842.

Then we moved into the gala sweetmeats. There was new Danish choreography with part of Anna Laerkesen's *Whispers and Floating*; John Neumeier's *Adagietto* from Mahlar 5 for Mette Ida Kirk and Yury Posokhov; Nina Ananiashvili and Jullo Bocca flashing through *Don Quixote*'s flaming paper hoops; Elisabeth Platel and Manuel Legris in Balanchine's delicate, allusive response to Ravel's *Sonatine* - exquisite, subtle, both in ideas and performance.

And of course, to finish with, came the crack of muskets, tambourines, and the flash of Bournonville steps in the last act of *Napoli*. This is, because of Bournonville's love of the theatre, his moral dignity, his belief in the joyous nature of dancing, his power to capture tha life of his time, quintessentially Danish – not least in its response to southern light.

There were the ballet children on the bridge, and such eminent artists as Niels Kehlet sitting at the cafe tables. There were the buoyant lines of male dancers – young Johan Kobborg bounding through a solo like the spirit of Bournonville – and the bewitching legion of the girls. And there, as the hero, Gennaro, was Frank Andersen, still nifty as to step (he is, after all, only 41 years old) and leading his entire company in these ever-fresh, eternally sparkling ensembles.

We clapped and cheered. The children on the bridge waved and ahouted. The dancers cheered. Andersen, with the sincerity and charm thet has marked his dancing and his direction of the troupe, took his bows and the presents brought on for him, and his laurels, saluted his monarch, and was rightly moved near to tears. The applause went on for ever.

Clement Crisp

Glimpse into the mandarin's mind

BOOK REVIEW

HONG KONG MEMOIRS
Xn Jiatun
United Daily News Press, Taipei, 1993 (in Chinese) 2 vols

Four years ago, Xu Jiatun, a member of the central committee of the Chinese Communist party, bade farewell to his family in Shenzhen, across the border from Hong Kong, and slipped into the colony. Three days later he was in Los Angeles.

Xu was one of the top 300 or so people ruling more than 1bn Chinese people. Now living in a Buddhist monastery, he is the most senior member of the Chinese Communist party ever to defect to the west.

The significance of his memoirs is thus considerable. They give the first insider'a account of its workings that has not been filtered through Beijing's thought police. For students of the Chinese Communist party, the memoirs give a unique insight into the workings of the party at the highest level; for those interested in how the party set about laying the foundations of its rule over Hong Kong, when UK sovereignty expires in 1997, they are essential reading.

As head of the Hong Kong and Macao Work Group – Beijing'a title for the group of the most senior Communist party members in Hong Kong – Xn was China's top man in the colony. He was an experienced party man; immediately before Hong Kong, in mid-1983, he was Communist party chief in Jiangsu province.

In Hong Kong, however, he faced a more challenging time; he had been instructed by Beijing to reform the New China News Agency, a cover for the Chinese Communist party's organisation in the colony, which was regarded as remote from, and was widely distrusted by, the Hong Kong Chinese. Beijing recognised a need to improve its image in the eyes of the local population.

Senior staff at the agency were also hostile to Xu's appointment; at the time, the agency was run by a hardline southern Chinese clique which resented the appointment of a northern Chinese official. Xu's immediate predecessor, a Maoist of the old school, had opposed the creation of "special economic zones" which he argued (rightly) were anathema to communism.

Xn decided on a two-pronged reform plan for the agency: an internal shake-up and a campaign to rehabilitate its public image, and thereby that of Beijing.

Before he arrived in Hong Kong, the local Communist party had been organised into two "cells", local supporters and mainland diplomats and businessmen sent by Beijing. By merging the two wings, Xu increased his control over the organisation.

But his most important work – and enduring legacy – was his effort in creating the "United Front", a coalition forged among the elite in Hong Kong who could be relied on to support China. The United Front's significance is not only that it created the appearance of support for the party across a broad section of society; it also ensnared people in an active relationship with Beijing.

Sensing the deep-seated anti-communism in Hong Kong at the time, Xu decided to "put aside everything about ideology". Most of Hong Kong's population were refugees from the mainland; the inflow had been particularly strong at the time of the Cultural Revolution.

Xu describes his guiding principle in the following terms: "On the love of China, support for Deng Xiaoping's reform and open policy, and national reunification we share a common view. On criticism of Mao Zedong and the Communist party we can accommodate our differences."

Xu soon made himself the acceptable face of Chinese communism. That helped in the important task of co-opting Hong Kong's businessmen, which had been high on Xu's agenda when he arrived in the colony. He quickly found the measure of the colony's capitalist class, writing: "I perceived, shortly after my arrival in Hong Kong, that a businessman's political inclination is normally linked to [the fortune of] his business."

An early example of this was the hail-out of the Bank of East Asia, one of Hong Kong's leading Chinese banks. In 1983 the bank not only faced a split among its founders, but Société Générale, a French bank, was seeking to take it over. Xu relates how Mr David Li Kwok-po, the chief executive of the bank, approached the agency for help. After deliberation, "we decided to stand behind the bank", Xu writes.

The United Front'a political use of the Bank of China, and other large Chinese-owned companies, stands out as one of the chief ways in which the Communist party sought to strengthen its influence over Hong Kong's business community. Xu's work is one of the main reasons why business leaders now line up behind China in its fight with the UK over Hong Kong's democratic development.

In late 1989 – a few months after the Tiananmen Square massacre – Xu retired as director of the New China News Agency and moved to Shenzhen in southern China. He had tried to convince Beijing to take a softer line towards the demonstrators; he recalls in the book how he travelled to the Chinese capital to petition the party leadership. He took as evidence video tapea of Hong Kong TV coverage of the demonstrations to try to convince the leaders that the protests taking place on their doorstep had been patriotic, not subversive. In Beijing, he met Zhao Ziyang, the then head of the Communist party.

After Tiananmen, realising the bad favour in which he was held in Beijing, Xu retired voluntarily. But when his successor launched an inquiry into his activities at the time of Tiananmen, Xu decided to leave the country. He believed he had done nothing wrong, but felt he would not get a fair hearing. How he fled, however, is unclear: the presumption is that the US helped him.

So far, Xu's memoirs are available only in Chinese, although the Hong Kong government has made an unofficial translation. A proper edition, with an index and notes, would be an invaluable insight into how Beijing set about the task of returning Hong Kong to Chinese sovereignty.

Simon Holberton

Support for the UK prime minister is sinking, but he's not quitting yet, says **Philip Stephens**

In peril on stormy seas

The present storm may abate. Parliament's Easter recess offers Mr John Major the hope of a breathing space. But still blacker clouds have gathered already on the horizon. His premiership is in serious peril. If the ailment is chronic rather than acute, it is no less dangerous for that.

Mr Major has been assailed before from the Tory backbenches: sterling's ejection from the European exchange rate mechanism, the row over coal industry closures, and the civil war over the Maastricht treaty provide only a small sample of such occasions.

But this week it was different. The attacks came not from an embittered group of irreconcilable Eurosceptics. Nor were they confined to the Europhiles on the Tory left who have become increasingly agitated by Mr Major's efforts to appease the right. This time it was the usually loyal centre – described by one senior minister as the party'a lumpen proletariat – that deserted their leader.

The sullen silence in the Commons chamber when be announced the compromise over European Union voting rights offered far more eloquent testimony to the depth of troubles than the public attscks on Mr Major by the maverick Tory MP, Mr Tony Marlow.

The word swirling around the bars and tearooms of Westminster was that Mr Major had lost the confidence of his party. Conservative MPs would no longer give him the benefit of the doubt.

Ironically it was not the substance of the deal with Britain's European partners that dismayed the government's supporters. Many Tory MPs hardly bothered to look at the details.

What was damning in the eyes of a demoralised and dejected party was the perception that Mr Major had caved in – that a week after he had derided Mr John Smith, the Labour leader, as the poodle of Brussels, he had assumed that very role himself.

It made no difference that those who follow European affairs knew in their hearts that, however strident Mr Major's rhetoric had been last week, he would be forced to cut a deal with his European parters. Britain, the champion of enlargement of the European Union, could not delay indefinitely the entry of Austria, Sweden, Norway and Finland.

Mr Major's decision to accept the deal had the backing of 18 of the cabinet's 22 members. Mr Douglas Hurd, the foreign secretary, would probably have resigned if the cabinet had rejected it. If that had happened, Mr Major would have had trouble surviving in office for the rest of this week.

But such awkward realities were overlooked on the backbenches. Instead the focus was on the four cabinet ministers – Mr Michael Howard, Mr Michael Portillo, Mr Peter Lilley and Mr John Redwood – who had urged him to hold out for further concessions.

This time many believed that, once he had staked out an uncompromising position, Mr Major should have stuck on the side of the men he had once called the cabinet's "bastards". As one erstwhile supporter of the prime minister commented: "I don't give a damn about the technicalities. What I want, what the party wants, is some leadership."

The front pages of the Tory tabloids yesterday – mocking the prime minister with a brutality usually reserved for leaders of the Labour party – reinforced the message.

So the conventional wisdom among Conservative MPs is that it is no longer a question of if Mr Major will go, but merely one of when.

That judgment may well be wrong. It has been in the past. In such febrile times, the reflex at Westminster is to project the present into an indefinite future. Mr Major is a more resilient man than be is given credit for. He has told friends that panic on the backbenches or vilification in the newspapers will not force him to fall on his sword. He will fight to stay in 10 Downing Street.

He has other advantages. For all Mr Marlow's insistence that a leadership challenge will be mounted in the autumn, there is no obvious candidate on the Tory backbenches. Mr Michael Heseltine and Mr Kennetb Clarke, the principal contenders for the succession, cannot challenge him from within the government.

But elections loom. The local elections in May, five parliamentary by-elections and the European Parliament poll in June will provide the most important test of national opinion since the 1992 general election. The opposition parties intend to make them a referendum on Mr Major's premiership. As one cabinet minister admitted, the debacle over voting rights has ensured that the background to the campaigns could not be worse.

Alan Harper

John Major's determination may not be enough to save him

The word swirling around Westminster was that Major had lost the confidence of his party

If the Conservative defeats are as bad as the opinion polls predict, Mr Major's determination may not be enough to save him. More than one ministerial colleague has recalled recently that, only hours before she quit, Lady Thatcher declared her intention to fight to the bitter end. If Mr Major lost the confidence of his cabinet, he too would be forced to resign.

The name of the 61-year-old Mr Heseltine, written off after his heart attack less than a year ago, is suddenly on everyone's lips. Encouraged by his Gaullist rhetoric, the Tory right has made the mistake of believing the president of the board of trade has ditched his fervent Europeanism.

Even those who swore they would never forgive him for toppling Lady Thatcher are beginning to view Mr Heseltine in a different light. As one middle-ranking minister put it: "I would never trust him, but at least he would give us a fighting chance of winning the election."

Mr Clarke's star has waned in recent weeks. His less-than-adroit handling of the row with opposition parties over impending tax increases has removed some of the lustre. His robust attitude to Brussels has not persuaded the party's sceptics that he has joined the ranks of nationalists. But Mr Clarke remains the champion of the mainstream Tory centre-left. If there is a contest, he will be a hard man to beat.

There is much more, though, to all this than Mr Major's style of leadership. Those few Conservatives – including a handful in the cabinet – who are willing to think more deeply about the present crisis are gripped by foreboding.

The fault-line in the party over Europe is much deeper than many of them realised even a year ago during the parliamentary battle over the Maastricht treaty.

The sceptics are not in the majority – far from it. But there is now a destructive minority which clings to the belief that the past 30 years of Conservative history has been a disastrous aberration – that the party should never have become the champion of the European cause.

They would be happy to see the government lose the next general election – and then to be reborn in opposition as the party of nationalism, under the leadership of Mr Portillo. It is a vainglorious dream.

Mr Hurd demolished the argument in a speech last week, setting out in stark terms the economic and security realities binding Britain to a European future. But the Europhobes are beyond such reason.

There are other factors dogging Mr Major. The prime minister lacks the constancy born of deep-rooted political convictions. He too often confuses tactics with high principle. His party bears the burden of 15 years in office and has lost the habit of loyalty.

But Europe looks once again like an anvil on which the modern Conservative party will break itself. Day by day it seems more likely that Mr Major will be the first victim. He might yet survive – it is still possible to find one or two willing to put serious money on his prospects. But in any event his departure would not solve his party's problems.

The present mood was caught by a Tory MP who remarked that he was rereading a book familiar to every student of modern British history – Mr George Dangerfield'a account of *The Strange Death of Liberal England*. Contemplating the self-destruction of his own party, the MP shrugged his shoulders as he explained: "I want to know what it is like."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should he clearly typed and not hand written. Please set fax for finest resolution

GEC well placed to win, but lacking government support

From Mr A J Lippitt.

Sir, Perhaps I could clarify and slightly expand your report, "'Crazy rules on aid and trade..." (March 30), on the evideoce I gave to the Commons foreign affairs committee on aid and trade.

I cited the aid given by the German government to the Shanghai metro and the Guangzhou metro merely as examples of the way other governments use their large aid budgets to support industry, often in a ruthless way.

In the case of Shanghai, the UK government offered 23 per cent of the cost, this being, in 1988, the OECD minimum. At a late stage the Germans offered 51 per cent, just 1 per cent above the level required for the offer to be deemed hilateral and therefore not requiring advance notice.

In the case of Guangzhou, the UK government offered the then OECD minimum of 35 per cent of the cost of the rolling stock. Just before Chancellor Kohl visited China with a large delegation of ministers and businessmen, the Bonn government offered a 68 per cent grant, again for the rolling stock. The British government did offer to match 68 per cent but the Chinese decided to award the contract for the rolling stock and the rest of the electrical and mechanical work to German industry – presumably partly to ensure the success of the Kohl mission and because the Germans initiated this high offer. In both cases GEC companies were well placed to win the orders.

A J Lippitt,
director, group exports,
General Electric Company,
1 Stanhope Gate, London W1

Charities need voice

From Mr John W Hawker.

Sir, Mr A W Behrens (Letters, March 28) quite rightly points ont the way in which charities have been disadvantaged by the payment of the BAT Industries 1993 final dividend as a foreign income dividend.

Charities' interests have likewise been ignored in the proposed exchange of BICC's 10½ per cent convertible capital bonds for convertible preference shares.

It is surely time that a body was formed to speak with authority on investment matters on behalf of all charities, perhaps along the lines of the Investment Protection Committee of the National Association of Pension Funds. Without a unified voice, charity trustees will continue to suffer the penalties of being inadequately represented.

John W Hawker,
director,
Independent Investment Management,
11 Old Jewry, London EC2

Enough to make you turn to drink

From Mr Graham Cook.

Sir, My corporation is constructing a British/Irish style pub in the Napa Valley, California.

To this end, on February 3 I wrote to the chief executives of what were identified as the 56 largest brewers in the UK. I inquired whether, first, they had an interior of a pub they had closed which we could purchase and, second, if they did have one what was the name of their distributor in northern California.

To date, I have had one reply, with not even the courtesy of a response from any of the others.

If this is indicative of the get-up-and-go which British industry has at present then I feel sympathy for the shareholders and employees who rely on these chief exectives.

Graham Cook,
chief executive officer,
Winston's,
PO Box 5417,
Napa, Ca 94581,
US

Social clause in a trade pact to protect workers is not protectionist

From Mr Marcello Malentacchi.

Sir, Your editorial, "Workers' rights and free trade" (March 28), calling for "broad-ranging discussion of workers' rights in the World Trade Organisation" (the successor to the General Agreement on Tariffs and Trade) is to be welcomed.

Non-governmental and civil society organisations in the third world have long supported the call for Gatt to set up a working party on the linkages between trade and workers' rights.

In the Uruguay Round agreement such a working party was agreed for the environment and it has long been a puzzle why the life of a dolphin or the fate of a forest should be afforded more importance than the right of children to be protected from inhuman exploitation.

The question of protectionism can be properly dealt with in such a WTO working party made up on a tripartite basis. As unions see it, a social clause is the opposite of protectionist as it would raise living standards and purchasing power and increase commodity trade worldwide.

Obviously a social clause which focused on international rights of free assembly, speech and organisation would be unwelcome to some authoritarian third world governments and to those multinationals which flee their social responsibilities at home and seek out countries where human rights are violated.

The bitter experience for many of the third world's workers is that the real protectionism today is the protection that authoritarian governments and multinationals have from international covenants on human rights in the workplace.

Marcello Malentacchi,
general secretary,
International Metalworkers Federation,
54 bis, route des Acacias,
Case Postale 1516,
CH-1227
Geneva
Switzerland

From Mr Bill Morris.

Sir, Your editorial, "Workers' rights and free trade (March 28), dismisses too casually the case for incorporating minimum standards for the treatment of workers into international trade agreements.

Why, for example, should it be tolerable for a country to seek competitive advantage by jailing trade unionists or flouting the most elementary factory safety requirements, while it is prohibited from seeking such advantage through discriminatory tariffs?

Indeed, the more the international community insists on a level playing field in other areas bearing on trade the more differences in labour costs will become important, particularly in manufacturing.

Workers throughout the traditional industrial areas of the US understand this only too well, as they see their jobs "relocated" to Mexico, where free-trade unionism scarcely exists, working conditions are often Dickensian and pay rates tiny compared with north of the border.

While in Morocco to sign the Gatt agreement, world leaders will be able to observe similar conditions.

Unfair competition does not lie simply in the fact that labour costs (pay, health and safety requirements, social spending, etc) are extremely low compared with those prevailing in most of Europe; it is also that the state is often acting to keep wages low, by denying workera the rights necessary to improve their conditions and hy failing to enforce even such legislation as may be on their statute books.

That is why President Bill Clinton is right to force this issue on to the trade agenda. If the liberalisation of the world economy is founded upon the (often literally) broken bones of working people, it will not endure and will end up by provoking the very protectionism it seeks to avoid. There can be no free trade without free workers.

Bill Morris,
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FINANCIAL TIMES
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Thursday March 31 1994

Window on Whitehall

"Outsiders do not understand." This ancient cry from Authority is being rehearsed once again. It will not do. Too much evidence of the secrecy and manipulation inherent in British governance has already been presented to the Scott inquiry. There is still room for argument about whether particular individuals who have appeared before Lord Justice Scott acted in good faith, according to rules then extant, but there is no doubt about the verdict on the way ministers and officials sometimes go about their business. The system is flawed. It must be put right. This outsiders do understand, perhaps too well for Whitehall's comfort.

Lord Justice Scott was asked to investigate two charges. First, did the government disregard its own regulations restricting the sale of arms-related equipment to Iraq? Second, did ministers and officials deploy public interest immunity (PII) certificates to cover their embarrassment, at the risk of sending innocent men to prison? The inquiry's findings on these specific points will be published in November. The report of the inquiry may include observations on the need for systemic change, particularly in the use of PII certificates. It is also open to Lord Justice Scott to comment on decisions made by members of the cabinet and the civil servants who advise them.

He will be handicapped by the nature of the defence put up by tha government and its apologists – that decisions on arms sales are necessarily political. A balance has to be struck between the desirability of telling parliament when flexible rules are re-interpreted, and the interests of exporters. Foreign policy cannot always be made in public, least of all by judges. If PII certificates are issued, there is always a good public-interest reason. Lord Justice Scott, trained in the law, but not proficient in politics, must use legal arguments to clear away such obvious smokescreens.

Overly circumspect

That lies in the future. What can be said today relates to the broader charge, implicit in the terms of reference, that Whitehall is overly circumspect, its mandarins and ministers too ready to conceal information that ought to be in the public domain. This is supported by the evidence given at the public sessions of the inquiry over the past 11 months. Fortunately, the proceedings have been unencumbered by the adversarial rules advocated by Lord Howe. These might have lengthened the inquiry, perhaps beyond the attention span of the electorate. Those who have been called do have their reputations, and perhaps their careers, at stake. They have been asked to endure something of an inquisition. This is no bad thing. Most of them, particularly the ministers and senior civil servants, are well able to look after themselves.

Unassailable right

Using skilful cross-examination, Lord Justice Scott and his counsel Ms Presily Baxendale QC, have opened a window into the workings of government. No parliamentary select committee, no media report, and no inquiry stultified by traditional methodology could have exposed so much. What has been revealed is what might have been expected. The executive branch of British government believes that it has an unassailable right to decide what it is good for both parliament and the wider public to know. In exercising this self-perpetuating prerogative, it sometimes picks the truth from an à la carte menu of its own making, and serves it with garnishes of its choice. Most of the witnesses honestly could not see that any of this is wrong.

One element of the inquiry will ensure that the public understands what is at stake. The machinery exported by Matrix Churchill to Iraq could be used to make arms, but many in Whitehall knew this. Yet three directors were hauled before the court. Mr Michael Heseltine perceived that to sign a PII certificate might lead to a miscarriage of justice. Sir Nicholas Lyell apparently did not.

Sir Nicholas, whose performance was uncertain, may be found to have acted mistakenly. Mr William Waldegrave, the minister for open government, may not remain unscathed. Both may be found blameless, but the likelihood is that, if not them, other individuals will be named. It will be regrettable if reputations, or jobs, are sacrificed, but the shock to Whitehall would be salutary.

Better news from the Balkans

For over a month now, since the Bosnian Serbs complied with Nato's ultimatum and withdrew their heavy weapons from Sarajevo, the news from the former Yugoslavia has been, for the most part, unusually good.

Further west, the war between Croats and Moslems has been brought to a sudden halt. Supply routes have been opened. The two sides have agreed on a federal constitution, and even on merging their forces into a common army. Northwards, the Serbs have allowed the reopening of Tuzla airport, and have at long last allowed a UN relief convoy to reach the Moslem enclave of Maglaj.

These hopeful developments have been achieved through diplomacy, backed by a show of military force and political resolve – elements which were cruelly lacking in earlier attempts to stop the fighting. Force has been displayed by Nato in the air and by the UN on the ground. At the local level General Sir Michael Rose, the UN commander, has proved an outstanding diplomat, with a rare grasp of Clausewitzian principle. At tha international leval Mr Charles Redman and Mr Vitaly Churkin, the US and Russian special envoys, have performed prodigies of discreet arm-twisting on their respective Balkan clients. Indeed, their achievements have spread beyond Bosnia, with the ceasefire agreement signed early yesterday by Croatian officials and Serb leaders from the breakaway Krajina region.

Euphoria premature

But euphoria would be premature, to say the least. The peace in Sarajevo, however welcome, is based on de facto recognition of Serb authority in several suburbs where Moslems were the largest group before the war. It could easily turn out to be a further step towards permanent partition of the city. Meanwhile in Banja Luka, the main city of northern Bosnia, the odious process of "ethnic cleansing" is still going on.

In Croatia, too, the new agreement consolidates territorial division by installing a buffer zone, to be policed by UN troops. This was precisely the deployment which the Vance Plan, on which the original ceasefire was based two years ago, had been careful, at Croat insistence, to avoid. Croats are well aware of the precedent set in Cyprus, where a UN-manned "green line" across the island has become a 20-year partition. Accordingly the Vance Plan provided for an "ink-blot" UN deployment in "protected areas", within which militias were supposed to be disarmed, and refugees allowed to return to their homes. None of that has happened, and it now seems unlikely it will.

US firmness

Hopes for peace in both Bosnia and Croatia now depend on a combination of US firmness and Russian diplomacy. Between them, they will have to push the Serbs beyond ceasefires into withdrawing from captured territory, and into accepting, in name at least, both Bosnia and Croatia as sovereign states within their pre-war frontiers.

Nor should Serbia be allowed to think that the present state of affairs in Kosovo can continue indefinitely. The ethnic Albanians there, comprising 90 per cent of the population, have been deprived not only of the autonomy they enjoyed before 1989 but effectively of all political and civil rights.

Their leader, Mr Ibrahim Rugova, has so far restrained them from taking up arms. For that he deserves the Nobel Peace Prize, but so far the main result has been that the world has postponed dealing with their problem, while the Serbs in Krajina, who did take up arms, seem likely to be offered autonomy amounting to independence in all but name. Inevitably some Albanians are beginning to question Mr Rugova's strategy.

The US has suggested linking the lifting of sanctions on Serbia to solution of the problems in Croatia and Kosovo, and to the handing over of war criminals. Legally that may be difficult to sustain, and Russia can be expected to object, since sanctions were originally imposed only to deal with the situation in Bosnia. Politically, however, the connection is clear. If Russia is going to make itself the guarantor of Serbia's contribution to peace in the Balkans, it will have to interest itself in the whole range of Serbian behaviour.

Grand designs, unsure foundations

Thirty years after the military takeover, Brazil faces further problems as a democracy, says Angus Foster

Mr Antônio Delfim Netto, one of the architects of Brazil's economic growth in the 1964-1985 period of military rule, is convinced the country is at a turning point. "If the [leftwing] Workers party wins October's presidential elections, we'll become a westerly offshoot of Africa. If anyone else wins, Brazil will have a solution to its crisis in three to four years," he says.

His belief that there is a chance for Brazil to surmount its economic and political difficulties would be encouraging, were it not for the fact that he made a similar prediction five years ago, ahead of the last presidential election. Much has happened since, including the resignation two years ago of the 1989 victor, Mr Fernando Collor, amid corruption allegations. But the country's main problems – such as an annual inflation rate of about 2,500 per cent, a growing gulf between rich and poor, and crumbling public education and health systems – are still undefeated.

Today, the 30th anniversary of the military takeover, there is again optimism that Brazil can confront its crisis. A promising anti-inflation package – including plans for a new currency and public spending cuts – is almost in place. A review is under way of Brazil's cumbersome 1988 constitution, which entrenched many workers' rights and benefits. That could give the next president greater freedom to act when he takes office in January.

But Brazil's complicated political make-up and its culture of compromise mean progress on both the economic and political fronts is likely to be slow. Already there are worries the inflation package will be undermined by calls for higher spending in an election year. Cynics maintain that Brazil's "lost decade" of economic stagnation since 1980 – blamed on two oil shocks and the delay in returning to a democracy – is in danger of becoming a lost decade and a half.

Soma of the present problems stem from the military's seizure of power in 1964. The takeover enjoyed widespread support at first from the middle classes and media, which feared Brazil was becoming ungovernable under a populist president, Mr João Goulart.

But the military's increasing intolerance of political opposition destroyed that support. Moreover the economic "miracle" of the 1970s, when the country enjoyed some of the fastest growth rates in the world, was undermined by a rise in foreign debt – from less than $5bn when the military took over to more than $100bn by 1985.

The discrediting of the military regime means today's anniversary will not be marked officially. But whila the date may pass peacefully, the period's legacy is turmoil. "One problem with military rule is you can get left with many hangovers," according to Mr Luís Eduardo Magalhães of the right-of-centre Liberal Front party, the second largest in Congress.

The biggest headache is an underdeveloped party political system. The method of proportional representation for congressional elections has a strong constituency link, meaning that politicians tend to be concerned with local rather than national interests – and open to local corruption. The 20 political parties are constructed around powerful individuals rather than ideology. Building coalitions is therefore difficult, and no president has enjoyed a majority in congress since the return to civilian rule.

"You are forced to govern excessively through compromise, which means problems take too long to be tackled," according to one minister.

October's elections provide scope for change. As well as the presidential race, elections are due for state governors, mayors and congress. A corruption inquiry late last year, which recommended the expulsion of 18 politicians from congress, has raised hopes of improved morality among candidates and voters.

In any case, the next president will be in a better position to form a strong government than Mr Itamar Franco, who became president after Mr Collor's resignation and does not have a popular mandate.

The two main presidential candidates both promise change, although their programmes differ. Mr Luiz Inácio Lula da Silva, leader of the leftwing Workers party (PT) and a former metalworker, is well ahead in the polls, with 30 per cent support. His party, which will campaign for land reform, social rights and other populist measures, is depicted by the media as packed with radicals. But Mr da Silva has moderated his policies, so that he could forge a coalition in congress, and has toned down pledges to stop paying interest on foreign debts or block foreign investment.

"The apparently radical language simply expresses a feeling of protest at Brazil's big problems. But even radicals know you have to keep attracting foreign capital," says Mr Francisco Weffort, political scientist and PT supporter. Nevertheless, business leaders worry that tha PT's policies will involve increased government spending and will do nothing to curb inflation.

The other leading presidential candidate – Mr Fernando Henrique Cardoso – is a centrist politician who resigned as finance minister yesterday to prepare for the elections. His main achievement in 10 months in office has been the passage through congress of an anti-inflation plan, the centre-piece of which – the new currency, the real – is intended to stabilise prices by being linked to the country's foreign reserves.

His plan, the sixth attempt to defeat inflation in eight years, is supported by several leading economists. But Mr Cardoso failed to persuade the International Monetary Fund this month to grant a "standby" loan as part of a private bank debt restructuring agreement. The IMF thought inflation would fall and stay low only if the government kept its pledges of a balanced budget and tight monetary policy – difficult in an election year.

Whoever wins the presidency will inherit an economy that appears to have weathered the inflationary crisis remarkably well. Gross domestic product grew 4.9 per cent last year and is forecast to rise a further 3-4 per cent in 1994. Partly as a result of economic reforms introduced by Mr Collor – such as a privatisation programme and lower trade tariffs – the private sector has increased productivity. Exports rose by 8 per cent to $38.8bn last year.

But these improvements continue to be dwarfed by the effects of inflation and the uncertainty it creates. Investment as a percentage of GDP has stuck at 15-16 per cent since 1990, compared with 27 per cent last year in Chile, the highest rate in the continent. Inflation has exacerbated income differentials – among the worst in the world. In 1990, the poorest half of Brazil's population survived on just 11 per cent of national income.

Tackling such problems would take many years for any government. But Brazil faces anothar obstacle: a constitution which, in effect, forces the country to live beyond its means. It includes generous provisions on social welfare, retirement and pensions. Within a few years, more people are expected to be receiving benefits and pensions than will be contributing to the social security system, unless it is changed.

The constitutional review, under way in congress since October, has so far made little progress. Neither the government nor congress appears willing to cut benefits in an election year or push through controversial changes to reduce the role of the state in the economy.

"The review is fundamental for the country to be viable next year, under any government. Unfortunately people don't realise how important it is," says Mr Magalhães of the Liberal Front party.

A possible explanation for the lack of progress, which threatens Brazil's hopes of rejoining Latin America's economic fast track and of finally controlling inflation, is the emphasis within the political system on compromise. For example, political leaders have worked hard to persuade opponents of the constitutional review to take part, even offering to drop some controversial proposals under consideration. In such a young democracy, this may be a reaction to years of imposed decisions by the military.

Mr Fernando de Hollanda Barbosa, a Rio de Janeiro-based economist, says: "There is something cultural about Brazil. You don't see abrupt changes, instead things go smoothly. That's bad because, if you need change, it doesn't come quickly. But it's good because the country remains stable. Even our military coups were not violent."

Russia: IMF gives too little, too late

PERSONAL VIEW

The International Monetary Fund last week stared into the Russian abyss and for the first time saw the horrors. After withholding a $1.5bn loan from the Russian reformers in the second half of 1993 on the grounds that the budget deficit was too high, it finally freed the loan, in spite of a vastly larger deficit today. IMF inaction in the past contributed to Russia's gathering storm. Its action last week was a desperate move to help head off Russia's descent into chaos.

Russian reformers are understandably non-plussed. Last year, with reformers in the cabinet, the IMF withheld financing when the budget deficit was about 10 per cent of gross domestic product; now it lends money to a "cabinet of lobbies" with a deficit about 15 per cent of GDP and rising. Tax collections appear to have dropped by at least 5 per cent of GDP so far this year. The draft budget on which the IMF agreement is based is dubious.

And yet the IMF's move was understandable. The Russian central government teeters on the edge of a disaster, as it no longer collects adequate revenues needed to run the state. Tax evasion and arrears are rife; inflation eats into the real value of tax collections; revenues collected regionally are often not sent to central government. Under such circumstances, the government cannot feed and house the army, or provide for public order, much less cover social needs.

If the IMF had continued to withhold the funds, it would have amounted to the west's abandonment of Russia's reform hopes. Prime minister Victor Chernomyrdin's new-found fiscal prudence, whether feigned or real, would have been buried immediately by a political avalanche. He knew it, and therefore courted the IMF chief, Michel Camdessus. The reformers are furious, but their anger would be better directed at past western inaction and poor IMF advice.

The real problem is not the IMF's action, but a much deeper malaise. The $1.5bn means little, since it covers less than two weeks of Russia's budget deficit. Only a much larger aid programme, with a wiser stabilisation strategy, could do the job.

IMF incantations of budget cutting and tight monetary policy are insufficient. Almost no stabilisation programme in history has worked the way that the IMF recommends in Russia. Real stabilisation programmes, whether in Israel, Bolivia, Poland, Estonia, Argentina, or the classic stabilisation programmes of

Only a much larger aid programme, with a wiser stabilisation strategy, could do the job

the inter-war period, start from the proposition that a country needs a stable convertible currency as the first step towards ending high inflation, not the last. After currency stability is achieved, and inflation is lowered as a direct result, then cuts in the budget deficit become politically and economically more likely.

To move first on the currency typically requires large-scale help from the outside world to back the currency and to help finance the budget deficit, as well as immediate relief on debt servicing. The foreign help should surely come together with significant deficit cutting, but well before the fundamental budgetary problems are fully resolved.

The IMF has blundered badly on these points. It delayed introduction of a separate Russian currency in 1992. As a result, Russia was bombarded with inflation from the other states. The IMF has argued constantly against pegging tha exchange rate until several months after inflation is ended, soguaranteeing a vicious circle of currency depreciation and rising deficits, not a virtuous circle of currency stability and falling budget deficits.

The IMF has failed to mobilise international assistance to help Russia fund its budget deficit, and to back its currency. It is poignant, and ironic, to compare Russia's shoddy treatment with the protections received by Macy's department store in the US when both Russia and Macy's went into default in January 1992. Macy's received an immediate standstill on all debt servicing under Chapter 11 of the US bankruptcy code. Two weeks later, in February 1992, it received a $600m working capital loan, also under Chapter 11. The Russian government received its first working capital loan, from the World Bank, also for $600m, nearly one-and-a-half years later! Even debt service relief is not yet fully in place.

It is time for a serious, professional, external review of IMF operations in Russia. More important, it is time – if it is not already too late – for western governments to design a real support programme for Russia in return for a real stabilisation strategy. This would surely cost closer to the $28bn already announced, but not dalivered, by the Group of Seven leading industrial countries, than tha IMF's $1.5bn. At least the IMF's modest action gives a few more weeks to move on the more basic agenda.

Jeffrey Sachs

The author is professor of economics at Harvard University

OBSERVER

Hang loose, old boy

■ Phew, thank God *that's* over. Except it isn't. The Scott inquiry into arms-for-Iraq – already more than a year old – still has a week's oral testimony in May and then must be written up by Scott himself; no finer way of ruining a summer.

Meanwhile, hacks covering the story are producing a necktie for distribution to various Whitehall and government officials. It will feature the Roman numeral III, representing the guideline the government allegedly breached; a serpent, signifying Whitehall; and the motto "distorted, wild, prejudiced", words used by Sir Robin Butler, head of Britain's civil service, to describe the British media's reporting of the Scott inquiry.

Since when was a tie judged a suitably satirical device? A very masculine gadget, its choice hints rather strongly of the old-school-tie cohabitation so often prevailing between accusing hack and accused minister. Very cosy.

Bill ahoy

■ Will President Clinton be travelling on the royal yacht Britannia alongside Queen Elizabeth II *en route* to France to join in the commemorations for the D-Day landings in 1944 next June?

The answer is – yes and no. Says the US embassy in London: "I can't react to that. The president's schedule is not yet set in concrete." All right then, has it at least been *mooted* that Clinton will be on the yacht? "Don't know."

Buckingham Palace is equally tight-lipped, referring all queries to the Ministry of Defence on the grounds that it's handling all D-Day media. And the MoD won't discuss the movements of VIPs "for security reasons".

Never mind. Observer can reveal that while Clinton *will* be on the royal yacht to review what's left of the British fleet in Portsmouth, he then departs for France on his own nuclear aircraft carrier, the USS George Washington.

"You know the Americans – never like to arrive on anyone else's boat," says our informant.

The green forays

■ The Thai army – famous for staging 17 *coups d'état* and doing well out of logging businesses – is trying to mollify public fears of yet another upheaval.

A senior officer has written in Thailand's Army News a piece called "Fear no coup". It explains that coups are caused not by ambitious soldiers but by the shortcomings of democracy and "inappropriate behaviour" by politicians.

'We'll fight them on the beaches and then we'll capitulate'

The piece adds that a typical warning sign of a coup is criticism of the government for ineptitude by the media and academics.

Very comforting: the media have been in anti-government overdrive of late. The Bangkok Post headlined its story on the army's views thus: "No coup if MPs doing good job".

Is that over one week or three?

Bladder press

■ Fresh evidence emerges of the multifunctionality of the FT. It's gained pride of place for *papier maché* modelling, been used in various window-dressing displays and even lined the bottom of Princess Diana's royal hamster cage. Now, in Stockholm, it'a providing lavatory wall entertainment.

Guests using the gentlemen's loo at the venerable Grand Hotel can read the FT of the day framed on the wall above the urinals. The International Herald Tribune and the Swedish paper, Dagens Nyheter, also get a showing.

The Grand's guests must occasionally consume copious amounts in the bar: pride of place occasionally goes to lengthy FT features, requiring several minutes' reading.

Passing by

■ Go on, say something nasty about Crédit Lyonnais.

Marc Viénot, chairman of Société Générale, resisted the temptation to score points at the expense of his larger but more troubled rival at an analysts' presentation in London yesterday. All he would say is: "Never shoot at an ambulance."

Sensible man, Viénot. One never knows when one might need an ambulance oneself.

Hillary hitback

■ "We interrupt this newspaper to give you the facts," read the full-page advertisement emblazoned in the New York Times.

It cost $50,000; but the 100 who signed it, defending Hillary Rodham Clinton, clearly thought it a bargain.

It was largely the handiwork of two Washington Democratic party consultants, Ann Lewis and Lynn Cutler, First Lady friends.

They are also hitting the airwaves – where Hillary-bashing is most prevalent – to launch a counter-attack, fighting the hands they perceiva behind the attacks: those wanting to block healthcare reform, and those on the ideological right who want to put women back in the non-career closet.

Otherwise, life as normal. The Wall Street Journal's leader writers continue fulminating over Whitewater. Yesterday they examined Hillary's successful foray into the commodities markets in 1978-79, complaining she pursued the kind of speculative greed which characterised the 1980s.

Perhaps Hillary should have deliberately lost money in order to satisfy her critics.

Clean sweep?

■ In its efforts to raise money for the Campaign for Oxford, the Bodleian is seeking sponsors for a performance of The Fairy Queen to celebrate Purcell's 300th anniversary next year.

Step forward Lever Bros, purveyor of Persil, or indeed, Procter & Gamble, maker of Fairy Liquid?

FINANCIAL TIMES
Thursday March 31/Friday April 1

Tokyo tells US to look again at trade plan

Japan defends package of market measures

By Michiyo Nakamoto in Tokyo

Japanese officials yesterday defended the government'a package of market-opening measures, stating that it was the most the country could do for the moment.

They also expressed hope that the package would be enough to revive negotiations with the US for a trade and economic agreement, the ao-called framework talks, which have been stalled since February.

The package, announced on Tuesday, was dismissed by the US as being "of little substance". Mr Masayoshi Takemura, chief cabinet secretary, said the US reaction was "regrettable". He added Japan would do what more it could before June, which Tokyo has set as a date for presenting details of its market opening measures.

In the meantime, Japanese bureaucrats have indicated they will explore diplomatic channels in an effort to convey the substance of the measures to tha US.

"We hope to win US understanding towards the package which clearly shows the direction of deregulation and macro-economic reform. There will be many opportunities to do so through diplomatic channels," a foreign ministry official said.

The Japanese defence followed negative US reaction to Japan's efforts to stimulate the economy, open its markets and bring down the country's towering trade surplus.

Mr Walter Mondale, US ambassador to Japan, yesterday added his voice to the critical response from Washington. He described the deregulation measures as "very vague, delayed and what they mean or might not mean is very difficult to determine".

The US response put further upward pressure yesterday on the yen, which broke through Y103 to the dollar in Tokyo for the first time since mid-February when the US-Japan summit failed to prodnce agreement on the framework negotiations.

Since then, the US has often accused Japan of not living up to its commitment to achieve a "highly significant" reduction in its current account surplus. The two sides agreed on a cooling off period during which Japan, having rejected US calls for quantitative indicators to measure progress in opening up its markets, was expected to come up with its own proposals for reducing its surplus.

But the package has done little to appease US calls for more concrete steps and also failed to remove the threat of retaliation under Super 301, the trade bill giving the US the right to retaliate against unfair trading partners. Senior bureaucrats in Tokyo yesterday lamented that Washington had not fully appreciated the significance of the measures.

The US should look more carefully at the package before pronouncing it as unsatisfactory, a foreign ministry official complained, adding that the changes were part of an ongoing process. While parts of the package need further work, others are moving matters forward, said an official at the trade ministry.

"We are introducing revolutionary changes in government procurement from April... that is a very difficult thing to do," he said, describing the market-opening package as "a firm foundation for reform".

While the negativa response from the US dashed immediate hopes for an early resumption of the framework talks, officials made it clear the two sides could nevertheless work towards reviving the talks sooner rather than later. "The important thing is that both Japan and the US have kept the door open. The framework talks can be revived at any level," a Japanese foreign ministry official said.

"It is no longer fair to say that the ball is in Japan's court."

Dwindling role for Japanese unions, Page 6

Balladur announces plan to subsidise youth jobs

By David Buchan in Paris

Mr Edouard Balladur, the French prime minister, yesterday decided to dip deep into the public purse to subsidise youth jobs – as the alteroative to the ill-fated wage-cutting law that he abandoned in the face of student protest earlier this week.

A statement said that "to give employers an incentive to anticipate the emerging economic recovery", a subsidy of FFr1,000 ($175) a month would be paid for the first nine months to any company giving a young worker a first joh lasting at least 18 mooths.

The monthly subsidy would be doubled for young people hired before October 1. This move appeared partly to pre-empt the mission Mr Balladur gave Mr Michel Bon, head of the ANPE national employmeot agency.

Mr Bon was to take a week to consnlt unions and employers and to propose a successor plan to the abandooed *contrat d'insertion professionelle* (CIP), which would have allowed unskilled youths in joh training to be paid less than the minimum wage. Mr Bon said yesterday the subsidy should help 500,000 young people find a joh at a cost of FFr6bn.

But Mr Balladur said he was still looking to Mr Bon to propose ways of improving his agency's services to the young unemployed, thongh the prime minister hacked away from the idea of a separate employment agency to cater for young job-seekers.

In the wake of the government's humiliating climbdown on the CIP, Mr Bernard Pons, parliamentary leader of the ruling Ganllist RPR party, said that ministers were serving "as fuses" and wheo "blown" should be replaced.

He appeared to be referring to Mr Michel Girand, the labour minister.

Mr Balladur's unexpectedly rapid announcement of his subsidy plan, as well his formal repeal yesterday of the CIP, seemed designed to head off a planned student march in Paris today.

But the march still looked likely to go ahead.

Meanwhile, Mr Francois Périgot, president of the Patronat employers' federation, said it was necessary "to show courage, even if little hy little, to deal with the problem of labour costs".

But he said this could be done either by redncing wages, as envisaged in the CIP, or by reducing social welfare charges on payrolls, as the Balladur government is already doing alowly.

The Patronat has kept a very low profile throughout the whole row over the CIP. This is partly becanse helieves that existing forms of apprenticeships are adequate.

THE LEX COLUMN

GKN hits the target

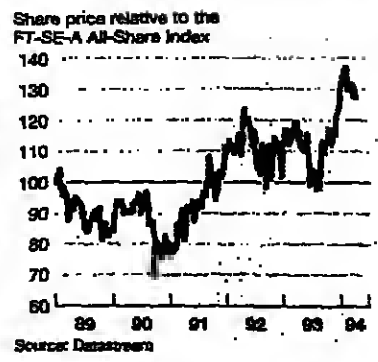
It must be pretty galling for Westland to be shot down only hours before a government minister announces that some long-awaited reinforcements may be about to arrive. Still, assuming that GKN's bid goes unconditional, Westland's new owners will be happy that tenders for the RAF's support helicopters are now being invited. Despite GKN's scepticism during the bid, if a price can be agreed with the Ministry of Defence, Westland stands a good chance of turning some of those possible orders into real work.

The incident highlights the difficulty facing those large institutions that have so far resisted GKN's advances. GKN has a controlling stake in Westland, yet the price does not reflect the highest hopes for the company's prospects. Holders now have to choose between the unpalatable acceptance of a price they consider inadequate and the uncomfortable existence of a minority shareholder. If enough hold out, however, and four institutions speak for more than 30 per cent of the ahares, GKN will not be able to use Westland's earnings to relieve its tax problems. Staying in for a year or two in the hope of more may not be, in this case, a road to nowhere.

Unless remaining institutions put up vigorous objections, however, Westland's management may feel it has little choice but to recommend the offer. Canny and more adventurous shareholders may mitigate their disappointment by opting for less cash now and money from settled litigation later. The flip side of the institutions' reluctance is that GKN has bought Westland's potential at a very reasonable price. All it has to do now is hang on to the management which has made Westland worth buying.

FT-SE Index: 3092.4 (-31.0)

Caradon



Source: Datastream

Caradon

After a tumultuous year of disposals and acquisitions, Caradon's annual results appeared a tame affair in comparison. Rather like Tomkins after its purchase of Ranks Hovis McDougall, Caradon was tight-lipped about the newly-acquired Pillar, apart from suggesting that its striking two-month contribution would not be indicative of this year's full performance. That reticence is understandable, as Caradon still grapples with what it has bought. But, in the absence of fuller information, the market was left to worry over the sizeable fair value provisions for potential environmental liabilities and some chunky reorganisation costs.

To be fair, Caradon has always presented the Pillar acquisition as a slow margin burn rather than a quick explosion. Some reassurance can be drawn from Caradon's fine record of delivering on its promises. Structural market changes affecting its security printing business in the US and Caradon's exposure to depressed markets in mainland Europe may take some of the shine off this year's progress. But longer term, Caradon offers an enticing mix of volume growth on the back of increased UK housing transactions and steady margin gains ot Pillar.

The broader worry concerning Caradon, though, is the same as that afflicting the huilding materials sector as a whole. Much of the sector's rating depends upon a return of price inflation. Many companies, including Caradon, are now itching to play that game. But if inflation really does take off with a vengeance, it may only spook the market as a whole.

UK gilts

It is tempting to assume that yesterday's gilts market rally owed something to the success of the first floating-rate issue since the 1970s. But cover of nearly 2.3 times is only what might be expected of an issue targeted towards banks which are short of borrowers. Having got one issue successfully away, the authorities can – within limits – issue more floating-rate paper, which may help reduce supply worries in the fixed-rate market. Otherwise gilts are still caught up in the ebb and flow of international confidence.

It will take more than yesterday's two point gain to bring buyers out in force, though. Uncertainty over future funding remains great. A further floating-rate issue would be the obvious solution if the market remains nervous into April, hut the authorities cannot become solely dependent on this instrument without being accused of fomenting inflation by selling too much paper into the banking system.

As long as the Bank of England believes in its ability to control inflation and therefore to keep interest rates low, it can argue that floating-rate borrowing is cheap. Yet to shy away from fixed-rate funding because long yields are close to 8 per cent may be to miss the point. The Bank increasingly appears to have missed the opportunity to raise long-tarm funds when yields were at their trough. The floating alternative may atill be revealed as an expensive option when the paper has to be refinanced in five years' time.

Shanks & McEwan

Shanks & McEwan used to describe itself as the Rolls-Royce of the waste management sector. The wheels have now come off. Its market capitalisation languishes below the £170m paid for the Rechem hazardous waste disposal business in January 1991. Yesterday's provisions are the latest in a string of disappointments since that acquisition. Further provisions on the contracting side and property write-downs mean that 1993 profits will he drowned in red ink. The question is whether Shanks can deliver much by way of growth from here.

Assuming that contracting is sold, Shanks would be left with around £100m turnover in waste management. While municipal waste has proved to be anything but the recession-proof business once supposed, Shanks might now push through price increases in Scotland, where it enjoys a hefty market share. Yet in England Shanks commands only a fraction of a fragmented market. That operation might flourish more as part of a larger group.

The chance of this logic eliciting a bid probably turns on the prospects for Rechem. Half of Rechem's sales come from burning imported waste, so any government ban on hazardous imports would undermine profits. While that threat remains, Shanks has a poison pill. Should the worst happen to Rechem, though, the risks would be easier for a predator to judge. Shareholders have been given little incentive in recent years to defend Shanks's independence.

Staff await uncertain fate as Cocom enters its last day

By David Buchan in Paris

Staff at the Paris headquarters of Cocom, the western export controls body, were uncertain yesterday wbether they should pack up and leave.

Cocom, the Co-ordinating Committee on Multilateral Controls, is due to be wound up today after 47 years, bnt the fate of its 20 staff is apparently undecided.

There was no official word from senior officials of the 17 member states meeting in The Hague yesterday to discuss the future of controls on technology exports.

"It is complete confusion here," said one of the 20 members of the Cocom secretariat, which has long maintained a shadowy existence in a US embassy annexe on Paris'a rue de la Boetie. "No one here knows anything about what will happen," she said, following last November's declsion by Cocom member governments to end the organisation "in its present form" by today.

A spokesman for the Dutch government, which is chairing the discussions on Cocom's future, said Cocom members stood by their decision to convert the organisation into something less elaborate than the cold war body which vetted the sale of militarily sensitive technology to the former Warsaw Pact and its allies.

But he said there was a consensus in favour of using Cocom's experience to control technology exports to sensitive destinations.

He said there was "no specifically European position" on this at The Hague meeting, attended by officials of 15 Nato allies (11 of them also European Union members), plus Japan and Australia. But Ireland, the EU's only neutral member, also attended as an observer, along with the EU applicants of Sweden, Finland and Austria, as well as Switzerland and New Zealand.

EU members, however, wanted to draw on Cocom experience as the basis for common controls on technology exported out of their single market.

In its final phase, Cocom had become prepared to avow an existence that had earlier been very sensitive to several European governments, particularly those with sizeable communist parties.

Demise of one more cold war warrior, Page 4

Bank probe

Continued from Page 1

The present government is trying to distance itself from the Crédit Lyonnais affair. Mr Edmond Alphandéry, economy minister, has said responsibility for Crédit Lyonnais' problems lay with the ministers of the day, not with his civil servants.

UK ministers back Major

Continued from Page 1

tor lecture in London, said Conservative ideas could dominate the 1990s if they were expressed with "vigour and conviction" – qualities widely associated in the Conservative party with Baroness Thatcher.

In a phrase which drew attention to the prime minister's deep unpopularity in the opinion polls, Mr Lilley ended hy urging the Conservatives to take Sir Winston Churchill's advice and "trust the people".

In a round of interviews, Mr Clarke repeatedly insisted all senior government members backed Mr Major.

FT WEATHER GUIDE

Europe today

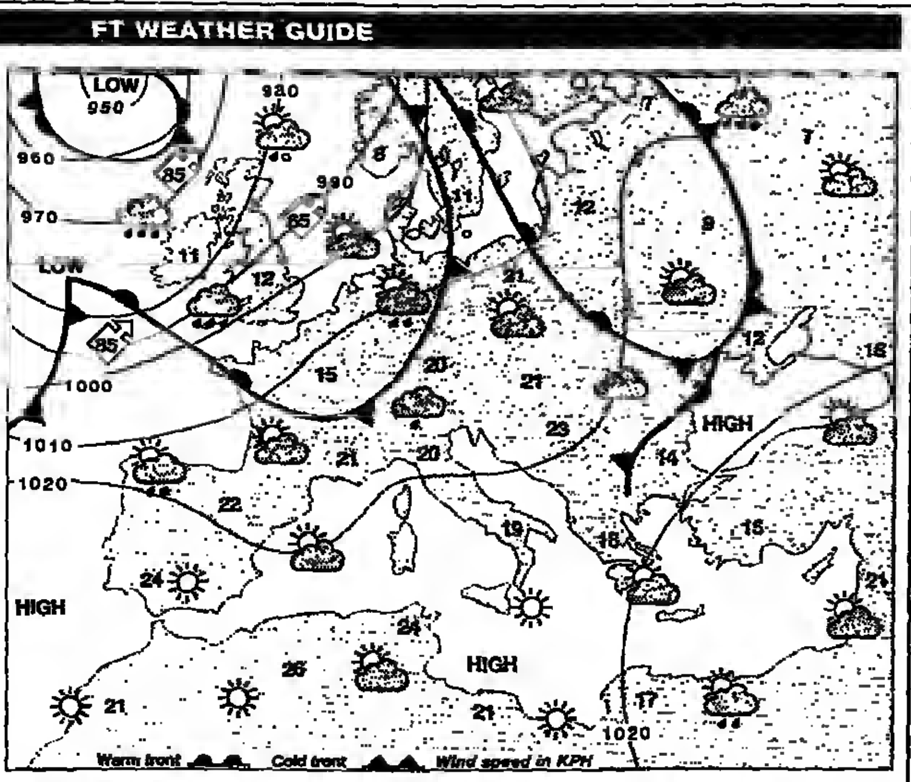
Showery and windy weather will spread east. Near gale-force winds will buffet the coasts of Denmark, the Low Countries and southern Norway accompanied by a mixture of sunshine and blustery showers. The coast of Ireland and western Scotland will have strong gales with heavy afternoon rain moving east.

I will be showery as far south as the northern Alps and central France. North-western Spain will have isoleted showers, but it will remain dry and sunny in the south. Italy will have sun while the Balkans stay partly cloudy. Little sunshine is expected over eastern Europe where there will be patchy rain along with some sleet or snow in northern regions.

Five-day forecast

It will remain unsettled with high winds in western Europe. Friday will be stormy in the UK and North Sea area with strong gusts over land. Temperatures will fall below average and showers will become wintry, especially on higher ground.

On Saturday, heavy showers will spread to Italy and the Balkans, while southern Spain will remain sunny and dry. Easter will be cool and unsettled in most places with a mixture of broken cloud and showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	26
Accra	fair	33
Algiers	fair	25
Amsterdam	shower	13
Athens	fair	17
B. Aires	fair	22
B.ham	rain	12
Bangkok	cloudy	36
Barcelona	fair	20
Beijing	fair	18

Belfast	windy	11
Belgrade	fair	25
Berlin	cloudy	20
Bermuda	fair	19
Bogota	cloudy	19
Bombay	sun	35
Brussels	shower	15
Budapest	fair	20
C.hagen	shower	11
Cairo	cloudy	23
Cape Town	fair	23
Caracas	fair	27

Cardiff	windy	11
Chicago	sun	9
Cologne	shower	16
D' Salaam	shower	30
Dakar	sun	25
Dallas	fair	23
Delhi	sun	36
Dubai	sun	27
Dublin	rain	11
Dubrovnik	sun	20
Edinburgh	shower	11
Faro	sun	20

Frankfurt	thund	18
Geneva	shower	17
Gibraltar	sun	23
Glasgow	windy	10
Hamburg	shower	14
Helsinki	fair	8
Hong Kong	fair	26
Honolulu	cloudy	26
Istanbul	fair	13
Jersey	windy	13
Karachi	sun	34
Kuwait	fair	29
L. Angeles	fair	21
Las Palmas	sun	23
Lima	cloudy	28
Lisbon	fair	20
London	shower	13
Lux.bourg	shower	13
Lyon	shower	18
Madeira	sun	20
Madrid	fair	22
Majorca	fair	22

Malta	sun	20
Manchester	shower	12
Manila	cloudy	33
Melbourne	rain	29
Mexico City	sun	27
Miami	thund	27
Milan	sun	20
Montreal	cloudy	1
Moscow	shower	7
Munich	fair	19
Nairobi	fair	28
Naples	sun	20
Nassau	fair	26
New York	fair	10
Nice	fair	18
Nicosia	shower	19
Oslo	rain	10
Paris	shower	15
Perth	fair	23
Prague	cloudy	20
Rangoon	fair	35
Reykjavik	shower	6

Rio	shower	29
Riyadh	sun	28
Rome	sun	18
S. Frsco	fair	17
Seoul	fair	16
Singapore	shower	32
Stockholm	cloudy	11
Strasbourg	shower	19
Sydney	fair	26
Tangier	sun	20
Tel Aviv	cloudy	22
Tokyo	fair	177
Toronto	fair	7
Tunis	sun	24
Vancouver	sun	13
Venice	sun	19
Vienna	fair	21
Warsaw	cloudy	20
Washington	sun	12
Wellington	fair	23
Winnipeg	sun	10
Zurich	fair	18

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday March 31 1994

IN BRIEF

AGF tumbles 35% before sell-off

Assurances Générales de France (AGF), the state insurance group scheduled for privatisation by the French government later this year, has announced a sharp fall in net profits, of 35 per cent to FFr977m ($171.4m). Page 18

Volkswagen returns to strength
Volkswagen, Europe's biggest volume vehicle maker has crawled out of the mire, according to company's board who expect a break-even or better result this year. Page 19

Woolworth to restate results
Woolworth, one of the oldest retailers in the US, disclosed yesterday it would restate "interim financial results" for fiscal 1994 amid allegations of accounting irregularities. It warned that it may also have to restate its fiscal 1993 results. Page 19

Air France unions on deadline
The 14 trade unions at Air France face a deadline of 6pm today from Mr Christian Blanc, the airline's chairman, to sign a rescue plan which is vital to the company's survival. Page 20

Nissho makes profits warning
Nissho Iwai, Japan's sixth-largest general trading company by sales, yesterday of extraordinary losses of Y39bn ($376.4m) during the financial year which ends today. Page 21

Harrison & Crosfield 15% ahead
Harrisons & Crosfield, the UK plantations, chemicals and commodities group, announced a 15 per cent increase in pre-tax profits to £98m for 1993 in spite of a poorer than expected result from the agricultural feeds business. Page 24

Mayflower profits triple
Mayflower, the UK specialist automotive engineering group, more than tripled its pre-tax profits to £5.38m (£1.7m) last year. Page 25

Senior launch rights issue
Senior Engineering Group, the UK air-handling, tubular products and thermal engineering company, launched a £67.4m rights issue. Page 26

Stakis plans expansion
Stakis, the hotels and casinos group, capitalised on its recent recovery by announcing a £67m one for four rights issue to fund purchases of hotels and casinos. Page 28

3i changes the rules
3i, tha UK's largest venture capital group, announced a fundamental change in the way it is to invest in management buy-outs. Page 29

Milan bourse unaffected by election
Milan stocks continued upward, the Comit index adding 1.72 to 695.54, on the perception that the right-wing Freedom Alliance was making progress towards forming a government. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Badenwerk	490	+	20.5
BHF Bank	449	+	12.5
Falls			
Asko Prf	895	–	15
Bayer-Hypo	463	–	7.5
Kaufhof	492	–	18
Porsche	610	–	42

NEW YORK ($)			
Rises			
Columbia HCA	41½	+	2
Gap	44½	+	1⅜
Lakehead Pipe	28¾	+	2¼
Falls			
Alcoa	73	–	1⅛
Amer President	24¼	–	5⅜
Woolworth	17⅞	–	⅛

New York prices at 11.30am.

PARIS (FFr)			
Rises			
Credit Lyon	645	+	13
Sefimeg	540	+	20
Falls			
AGF	573	–	12
BIC	1341	–	50
Gaumont(Sock)	880	–	29
UFB Loca	440	–	40

TOKYO (Yen)			
Rises			
Sumitomo Corp	1040	+	46
Falls			
Ando Corp	690	–	23
Asahi Chem	675	–	20
Nissin Elec	887	–	28
Sumitomo Mar	890	–	39
Yamato Kogyo	970	–	50

LONDON (Pence)							
Rises				**Falls**			
Brit Bio-Tech	490	+	20	Acorn Computer	68	–	6
Croda Int	361	+	9	Avesco	90	–	5
DCS Group	81	+	8	Brit Aerospace	488	–	13
Fitzwilton	46	+	3	Coal Invs	78	–	9
Kingfisher	568	+	12	Essex Furniture	250	–	13
Manchester Utd	690	+	31	Legal & General	464	–	15
Russell (Alex)	72	+	7	Redland	524	–	14
Shanks McEwan	87	+	9	Senior Eng	133	–	8½
Tibbett Britten	540	+	27	Wolseley	882	–	29
Vega	218	+	10				
Westland	333	+	9				
Wilson (Conn)	196	+	10				

Anger at Metallgesellschaft meeting

By Michael Lindemann in Frankfurt

Angry shareholders in Metallgesellschaft, the troubled German metals trading group, yesterday called for the resignation of Mr Ronaldo Schmitz, the supervisory board chairman.

The annual meeting followed a 12-hour extraordinary general meeting in late February when shareholders approved a DM3.4bn rescue package negotiated with the group's banks.

Most of 300 or so shareholders present applauded calls for Mr Schmitz to resign. "Your behaviour borders on the unscrupulous," one said. There were allegations that he failed to safeguard against the high risks involved in oil futures trading which cost the company DM2.3bn and almost caused its collapse in December. However, there were no formal motions to remove him from the board.

Mr Schmitz, who is also a member of the Deutsche Bank management board, is believed to have the support of five banks and institutions, which together hold about 62 per cent of the group's shares.

The angry scenes occurred in spite of the group reporting pre-tax profits for the first five months up 60 per cent to DM55m. The figures do not include the group's New York operation or the interest payments to finance its losses of DM2.3bn. Group sales fell 1.4 per cent to DM7.136bn.

A vote to approve the activities of the supervisory board was postponed until the next annual meeting. Such votes are standard at German general meetings.

Mr Kajo Neukirchen, who was appointed chief executive in December, said the group would create a holding structure and hive off Lurgi, its plant engineering arm, and Sachtleben, the chemicals division.

He said the company had earned about DM250m from the sale of its stake to Methanex, the world's largest methanol producer, and Korf, the steelmaker, raising about one quarter of the amount needed to shore up group finances.

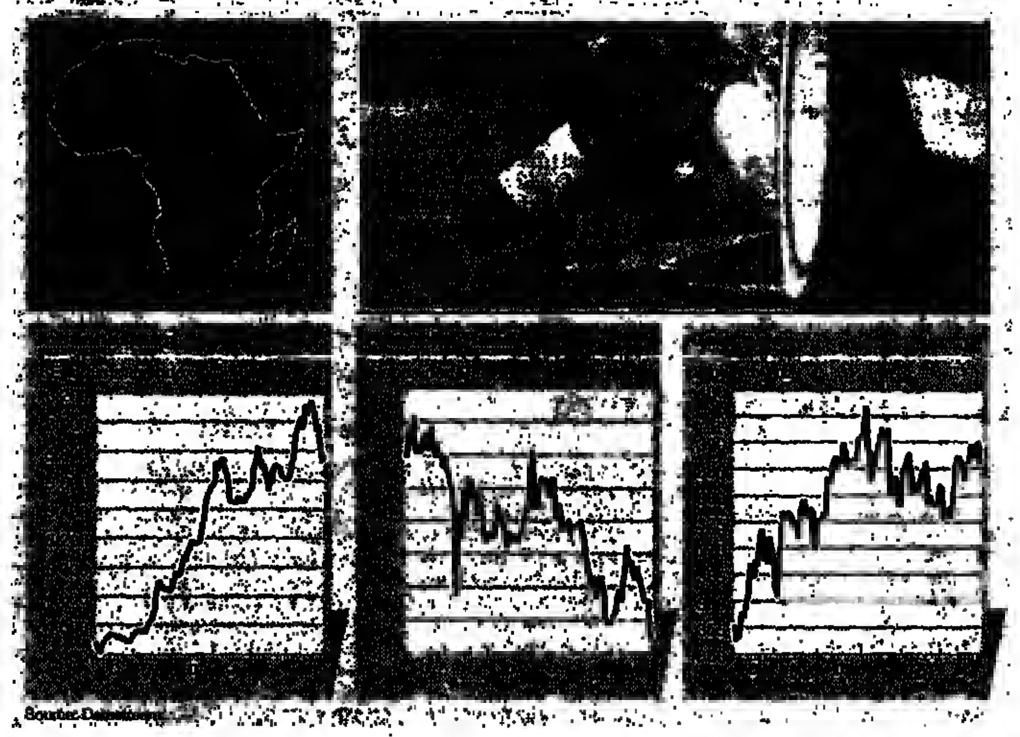
Despite losing DM2.3bn trading in oil futures, Mr Neukirchen said the group would maintain its oil trading operations "although within a significantly more narrow risk corridor".

Metallgesellschaft has raised DM1.1bn through e rights issue but called on shareholders to endorse the issue of profit-sharing certificates.

Michael Holman and Matthew Curtin assess the business mood in South Africa

Waiting to see if the punches are worth taking

Unrest puts market sentiment to the test



Source: Datastream

South Africa: things don't fall apart: that was the title of e recent analysis of investment opportunities by Salomon Brothers, the New York-based investment bank. As word came in on Monday of mounting casualties, following a Zulu demonstration at the African National Congress headquarters, even such cautious bullishness seemed inappropriate.

It may yet prove to be accurate, however, since the country's politicians have faced equally grave crises in the four years since Mr Nelson Mandela's release and stepped back from confrontation. The business community hopes that this pattern will be repeated, but it is a tense time on Diagonal Street, home of the Johannesburg Stock Exchange (JSE).

Economic statistics and ratios "indicate the country should be placed squarely in the mid-investment-grade category," says the Salomon report. But it also warns that there is "a small possibility of a rapid deterioration in the country's political stability and ability to access foreign currency to service its foreign debts".

This could lead to a credit rating below the level suggested by a purely economic analysis. Nevertheless, Salomon reckons "any rating below the upper BB range ... would be unjustified". Upper BB is just below investment grade.

Salomon is on a shortlist of international banks bidding to advise the new government on entry into the international bond market. This would entail seeking the best possible credit rating from the leading agencies, Moody's and Standard & Poor's.

The local business community would have been happy to settle for an upper BB as Monday's death-toll rose to more 50 and the JSE all-share index fell nearly 3 per cent. The discount of the politically sensitive financial rand (the country's investment currency) to the commercial rand widened to 30 per cent. Opinion was summed up by Mr Richard Stuart at stockbrokers Martin & Co: "When your hands are tied behind your back, you've just got to take the punches."

Mr Stuart has consistently told his overseas clients that the run-up to the election would present the best buying opportunities. Taking such advice requires a strong nerve and a belief that, despite the violence, the country will emerge stable and profitable from the transition to democracy.

Unnerving as Monday's events are, maintains Mr Stuart, investors should not lose confidence in South Africa's potential. With a market value of some $150bn and a highly sophisticate financial services sector, it is not so much an emergent market as a re-emergent market. He points out that the JSE has become more sensitive to overseas sentiment because of the extent of foreign investment over the past six months.

But Mr Stuart's sanguine view is not necessarily shared by the local stockbroking community. Mr David Schapiro, a director at Frankel Pollak Vinderine, says Monday's events were "the last straw" for many people who have worked hard to market the country abroad. "It's becoming an increasingly frustrating game of snakes and ladders, and many brokers are fed up with the uncanny ability of our politicians to put us back at square one."

From Dr Chris Stals, governor of the country's central bank, comes the phlegmatic comment: "We have to accept Monday's events as just another adverse short-term event." He adds: "All it will do is confirm the wait-and-see approach which already prevails among many international investors eyeing opportunities in South Africa".

Mr Michael Spicer, a consultant to Anglo American, says: "Our core scenario remains in place. The centre will hold, the country's institutional framework is strong and will bounce back, the economy is fair-set for a mini-boom, while we have always warned our international contacts that the transition would be testing."

However, behind the brave face is an unease that the business community has not felt for some time.

What made Monday's events so traumatic was the symbolic impact of mayhem under the noses of the men and women whose job has been to sell South Africa to the rest of the world.

A toughened senior executive in one of the country's biggest mining companies was shocked to discover that a bullet had struck the reinforced-glass window of his city-centre office: it could have killed the secretary on the other side. As businessmen rang each other to compare eye witness accounts, tha mood was as sombre as it has been at any stage during the country's perilous transition from apartheid to democracy.

Yet within 48 hours the country's resilience was demonstrated as the Department of Finance unveiled interim budgetary guidelines based on a forecast of 3 per cent growth in gross domestic product this year, compared with 1 per cent in 1993. Eskom, the state-owned utility, yesterday announced that electricity sales climbed by more than 4 per cent last year, the biggest improvement since 1988.

Perhaps most striking was a meeting in one of Johannesburg's luxury hotels between more than 100 businessmen and top officials from the ANC. In marked contrast to the hostility which has often marked exchanges between the ANC and the private sector, businessmen left reassured on important issues such as the independenca of the central bank, fiscal disciplina and exchange rate policy.

In the meantime, the world watches and waits. As Mr Stuart observes, "the main body of investment money will come to South Africa only after the elections".

Blueprint for black mining control, Page 21

BASF's nylon venture collapses

By Christopher Parkes in Frankfurt

A plan for Germany's BASF and AlliedSignal of the US to merge parts of their nylon fibre operations into a joint venture has collapsed, the companies announced yesterday.

AlliedSignal said that they were unable to find a satisfactory way to integrate their businesses but that they were well-placed in their respective markets for textile and carpet fibre products.

The venture, which was expected to produce annual sales of around $1bn, was first revealed last October. The plan's failure is the third recent setback to the German group's ambitious restructuring plans.

A proposed deal with ICI, under which BASF was to have exchanged its west European acrylic facilities in return for the UK company's polypropylene activities, failed because the German group placed too high a value on its side of the bargain.

BASF agreed last month to pay ICI £60m ($87.6m) for its polypropylena business, including two plants in the Netherlands and north-east England.

Completion of this part of the deal was seen as essential at the German company in the light of an earlier agreemant between Shell and Montedison to merge their polypropylene operations into Europe's biggest specialist manufacturer in this sector.

Earlier last year, BASF failed to sell its polyester fibre divisions to Wellman of New Jersey.

Fibres, which is in a division with plastics in BASF's operations, is one of the group's most troubled sectors. It has been especially affected by overcapacity and price erosion in its main European markets.

The German company said last Octobar that the deal with AlliedSignal would create a more cost-efficient producer with enough critical mass to compete more effectively.

BASF officials said they had nothing to add to yesterday's announcement from AlliedSignal, and further explanation of the circumstances of the breakdown was unlikely.

Mr Jürgen Strube, group chairman, said earlier this month that all divisions except plastics and fibres were making profits in the current financial year, and forecast a return to break-even by the year's end.

GKN increases bid and wins the battle for Westland

By Tim Burt in London

GKN won control of Westland yesterday after raising its hostile bid for the helicopter manufacturer from 290p to 335p a share, valuing the target at £577m.

The engineering group took its stake from 45 per cent to 54.4 per cent after a number of institutional shareholders accepted the revised cash offer.

Although more than 26m Westland shares were traded yesterday, GKN was not able to declare the offer unconditional because it failed to push its stake above 55 per cent. It is expected to pass that barrier today.

The revised offer – seven weeks after the bid's launch – followed Westland's forecast that it would increase pre-tax profits by 64 per cent this year to £50m.

Most of the expected increase was linked to a £15m profit on compensation payments from the Arab Organisation for Industrialisation (AOI), which last year was ordered to pay £385m damages to Westland over cancelled helicopter orders.

Warning that there was no guarantee that the AOI would make further payments, GKN yesterday offered Westland shareholders e 290p alternative to the 335p offer that would include a potential share of any further compensation received.

GKN has also offered a loan note alternative to investors, and increased the offer for each convertible preference share from 358.4p to 409.9p and for each warrant from 208.3p to 253.3p.

Sir David Lees, GKN chairman, said the group had decided to increase its offers following his failure on Tuesday to persuade Mr Alan Jones, his Westland counterpart, to agree terms.

The Westland board, which adjourned an emergency meeting yesterday pending an announcement that GKN's revised offer had gone unconditional, had previously criticised Sir David for undervaluing order prospects for its helicopters.

Those prospects – enhanced this week when McDonnell Douglas Helicopters announced it would market Westland's EH101 model to the US – were given a further fillip yesterday when the Ministry of Defence said it was issuing tenders for new RAF support helicopters. Mr Jonathan Aitken, junior defence minister, said to a parliamentary written answer that Westland and Boeing would be invited to bid.

Lex, Page 16; Background, Page 25; Market report, Back Page

Restructured Caradon rises

By Maggie Urry in London

Caradon, the building products and security printing group, came through a year of substantial restructuring with underlying profits up 5 per cent to £132.2m ($193m) and earnings per share unscathed at 15.2p, Mr Peter Jansen, chief executive, said yesterday.

In 1993 Caradon sold its 25.3 per cent stake in CarnaudMetalbox for £467.5m, and reinvested the proceeds, plus £234m raised through a rights issue, in the £808.7m purchase of the Pillar building products business from RTZ. Caradon shares fell 9p to 374p.

Pre-tax profits were £213.4m, up 70 per cent from £125.7m, including exceptional gains of £81.2m net. These were a £100.3m profit on the CarnaudMetalbox sale, less a provision of £14.1m against properties being sold and a £5m provision on last week's sale of the UK security printing business. Sterling's fall gave translation gains of £10.3m at the operating profit level.

The sale of the CarnaudMetalbox stake cut profits by £32.5m, but this was offset by profits from acquisitions of £19.2m and interest receivable of £8.6m, a positive swing of £13.7m.

The US recovery was ahead of that in the UK but in continental Europe, which now accounts for about 10 per cent of the group's business, conditions worsened in the second half and the trend is continuing.

In US security printing, prices were under pressure in 1993, falling 5 per cent, partly as the group offered its three largest bank customers a discount to refix contracts early. However, volumes rose 4 per cent.

Group turnover from continuing operations rose 18.3 per cent to £720.9m, and the total increased 44.6 per cent to £960.7m. Operating profits from continuing activities were up 6.6 per cent to £99.6m.

UK building products profits were flat at £85.4m, continental Europe was unchanged at £18.9m and security printing rose 15 per cent to £45.3m.

Earnings per share excluding exceptionals were unchanged at 15.2p, while fully diluted FRS3 earnings were 29.2p. A final dividend of 6.08p is proposed to give a total of 8.91p, e rise of 3 per cent.

Lex, Page 16

AGF tumbles sharply on banking business setback

By Alice Rawsthorn in Paris

Assurances Générales de France (AGF), the state insurance group scheduled for privatisation by the French government later this year, yesterday announced a sharp fall in net profits, of 35 per cent to *FFr977m ($171.4m)* in 1993, from FFr1.49bn in 1992. It blamed heavy losses from its banking interests.

Mr Antoine Jeancourt-Galignani, the former banker earlier this year appointed chairman of AGF to orchestrate its sale to the private sector, said the group was on course for a return to profits growth in 1994.

He disclosed that AGF was *in talks with the economy ministry* over a capital increase to raise cash for its own purposes, as part of the state share sale. Union des Assurances de Paris (UAP), the largest French insurer, which is due to be privatised *this spring, has already* secured the government's agreement for a capital increase.

AGF was affected last year by the competitive state of the French insurance industry, and by the increase in claims resulting from the floods in France last autumn. However, its main problem was the loss on *its holdings in two financial* companias, Comptoir des Entrepreneurs (29.7 per cent) and Banque du Phénix (100 per cent).

Both businesses plunged into the red because of heavy writedowns on their French property interests. Mr Jeancourt-*Galignani* said that the *two* companies, which have now been financially restructured, should make a "normal contribution" this year. However, AGF's share of their losses amounted to FFr2.52bn in 1993.

The decline in net profits prompted the board to freeze tha dividend at FFr12.00 for 1993.

BHF-Bank advances 20%

By Christopher Parkes in Frankfurt

The BHF-Bank group yesterday reported an increase of 20.5 per cent in net operating profits for 1993, and said it *was "cautiously optimistic"* about prospects for the current financial year.

Partial operating earnings, which exclude income from own-account trading, rose 27.6 per cent to DM370m ($222m) last year, while group-wide provisions against bad debts were increased 45 per cent to *DM168m*.

The lion's share of the provisions were made in the BHF-Bank itself, reflecting precautionary moves made elsewhere in the German banking industry to take account of an expected *increase* in the number of corporate borrowers suffering in the wake of recession.

Mr Wolfgang Strutz, managing partner, pointed out that the year's total provisions were within the range expected at the start of last year.

A third of the bank's earn*ings, and 30 per cent of group* income came from outside Germany, he told a press conference.

The bank's business volume rose 17 per cent last year to DM63.3bn and credit volume *increased by a similar proportion* to DM46.7bn.

Interest earnings rose 15 per cent to DM619m, while own-account trading at the bank and *subsidiaries in securities*, currencies and derivatives generated DM127m income – up 32 per cent on the previous year.

Ferranti receivers favour GEC as buyer

By David Wighton in London

Administrative receivers to Ferranti International have agreed in principle to sell the company's main defence systems businesses to GEC rather than a management buy-out team.

The receivers from accountants Arthur Andersen said yesterday they had decided that GEC was the preferred buyer. However, Mr Jonathon Wackett, of Coopers & Lybrand, which is advising the buy-out team, said it was "still very much in the game. We are now talking to our backers abont an increased bid and other ways we could reshape our offer".

The buy-out team is backed by a *UK institution* and "a major European defence company", thought to be Thomson of France.

The agreement with GEC covers Ferranti Defence Systems Integration, with 570 employees and Ferranti Simulation & Training, which has a further 540 staff.

But the buy-out team is bidding for tha whole of Ferranti's *systems* business, including its civil and satellite operations, which has a turnover of £130m ($190m) and 1,750 employees.

International power side lifts Tractabel

By Gillian Tett in Brussels

Tractabel, the Belgian energy group, said profits rose by 6.3 per cent last year, largely due to the development of its *international gas and electricity* division.

Total consolidated profits at the group, one of Belgium's largest holding companies, were BFr9.9bn ($288m) in 1992, up from BFr9.3bn tha year *before. Total turnover* in the group rose by 4.4 per cent to BFr263.4bn, up from BFr252.5bn in 1992. The group has proposed a dividend payment of BFr340 per share, up from BFr330 the preious year.

BSN to take control of NZ foods producer

By John Ridding in Paris

BSN, France's largest food manufacturer, is to set to take control of Best Foods, the New Zealand company in which it *already* holds a 20 per cent stake.

BSN said yesterday it had launched an agreed bid for Best at NZ$4 per share, valuing the company at about FFr450m (US$78.9m).

Under the terms of the agreement, the Huljich family, which controls 50.01 per cent of Best, will buy back up to 33 per cent of the shares in the company. BSN, which would hold 67 per cent of the shares in Best, said the aim was to withdraw the company from the New Zealand stock market.

Best, which produces frozen prepared foods under the "Top Hat" brand, achieved sales last year of FFr180m and net profits estimated at about 10 per cent of that figure. According to BSN, the company has a strong potential to export to the Australian, Japanese and US markets.

The acquisition is in line with BSN's strategy of expanding in the Asia-Pacific region. Its sales in the region have risen from about FFr500m in 1989 to some FFr3.5bn last year.

Foreign partner welcomed at GiroCredit

By Patrick Blum in Vienna

A 10 per cent stake in GiroCredit, Austria's third-largest bank and the savings banks' clearing institution, will be offered to a foreign partner later this year through a capital increase.

Bank Austria, the country's largest bank, is due formally to take control of GiroCredit next month after raising its *shareholding from just over 30* per cent to at least half.

Bayerische Landesbank, a major bank and clearing institution for the Bavarian savings banks, will be offered first refusal.

Last chapter in a stormy career

Jean-Yves Haberer is unlikely to go quietly, writes Alice Rawsthorn

Mr Jean-Yves Haberer has been out of work *before but he has* always bounced back – until now. He was fired in 1986 as chairman of Paribas, the prominent French bank, only to resurface two years later as head of Crédit Lyonnais until he was banished last autumn to the less prestigious Crédit National.

Yet it is inconceivable that Mr Haberer, 61, could recover from yesterday's news that the French government has dismissed him after only five months at Crédit National. His departure, which follows last week's news that Crédit Lyonnais made a FFr6.9bn ($1.2bn) net loss in 1993 and that it was to be baled out by the state in a FFr44.9bn rescue deal, marks the end of one of the stormiest careers in French finance. It also raises serious questions about the relationship between politics and commerce in France.

"Am I surprised by his dismissal? No way," said one senior Paris banker. "Crédit Lyonnais is in a dreadful state. The government has to find someone to blame and Jean-Yves Haberer is the obvious candidate. The only surprise is why they gave him another job last autumn when they kicked him *out of Crédit Lyonnais.*"

Mr Haberer was nothing if not a controversial choice as chairman of Crédit National. He is a brilliant but undeniably difficult man whose manner has made him highly unpopu*lar among his peers. His critics* bave for years been prophesying that the aggressive stance on loans and international acquisitions he pursued in five years as chairman of Crédit Lyonnais would end in disaster.

Jean-Yves Haberer: backed by influencial friends on the left

Their fears were realised last spring by the news that Crédit Lyonnais in 1992 had fallen into the red for the third time in its history with a net loss of *FFr1.85bn. Mr Haberer's reputation* was so tarnished that when he arrived at Crédit National last autumn two of its German institutional investors protested against his appointment.

The official reason for his new job was that it reflected the "softly softly" approach to public sector appointments adopted by Mr Edouard Balladur, *the centre-right prime* minister, since he cama to power last March. Mr Haberer, a former conservative who had changed allegiance when the left took power in 1981, was appointed to Crédit Lyonnais *by Mr Pierre Bérégovoy*, the late socialist premier. Mr Balladur wanted him to go – but quietly.

The Paris financial establishment was also anxious to avoid an outburst from Mr Haberer. "*There's no doubt* that Haberer was the architect of Crédit Lyonnais' problems, but what about the ministers who backed his decisions and the banking supervisors who let *them give him more capital?*" said one banking analyst. "They must all have been worried about what he might say and very relieved when he was kept quiet by being given a new job."

Mr Haberer was also backed by influential friends on the left, notably by Mr François Mitter*rand*, the *socialist president*. Observers say that Mr Mitterrand last autumn put pressure on Mr Balladur to find another job for Mr Haberer, rather than to dump him as Mr Jacques Chirac, the last *centre-right premier had* done in 1986 by firing him from Paribas.

But even the president could not shield Mr Haberer from last week's storm when Mr Jean Peyrelevade, the new Crédit Lyonnais chairman, revealed the full extent of the bank's 1993 losses and dis*closed the final terms of the* government's rescue package which includes a FFr4.9bn capital injection and the transfer of FFr40bn of non-performing property loans to a new company.

Le Point, the right-wing weekly news magazine, dubbed *Crédit Lyonnais "The Banking* Scandal of the Century" and fingered Mr Haberer as "The Man Behind the Scandal". By the beginning of this week a number of conservatives had called for inquiries into Crédit Lyonnais' affairs and rumours were circulating about Mr Haberer's imminent dismissal from Crédit National. The rumours were confirmed after yesterday's cabinet meeting by Mr Nicolas Sarkozy, the official cabinet spokesman.

This time Mr Haberer shows no sign of going quietly. He issued a formal statement on *Tuesday claiming* to be the victim of a "media lynching". He also claimed that some *of* Crédit Lyonnais' prohlems dated back to decisions made before *his appointment* and that othars were based on "recommendations" from the old socialist government.

Finally, Mr Haberer called for an official inqniry into management of the group, claiming that he would be vindicated by such an investigation. His old friend, Mr Mitterrand, yesterday successfully insisted that the cabinet agree to mount an inquiry.

"This is just a warning shot," said another analyst. "Haberer has made it quite clear that he won't go without a fuss. And as the French government is well aware, be could make sure that the Crédit Lyonnais story gets very, very dirty indeed."

Eridania Béghin-Say improves 5% over year

By David Buchan in Paris

Eridania Béghin-Say, tha Paris-based food gronp controlled by Ferruzzi Finanziaria, lifted net profits 5.2 per cent to FFr1.34bn ($235m) for 1993 from FFr1.27bn the previous year, on turnover which increased 2.4 per cent to FFr50.9bn.

EBS said most of its divisions had produced increased operating profit which had risen by 11.7 per cent to FFr4bn. But some of this profit was absorbed by exceptional costs related to restructuring.

Proceeds from the sale of its North American animal feed business had brought its net debt down from FFr14.1bn at the end of 1992 to FFr12.5bn at the end of last year.

● The 335,000 private investors who bought shares in the recently privatised Istituto Mobiliare Italiano (IMI) will receive a L400 dividend for 1993, writes John Simkins in Milan.

This effectively doubles the previous year's dividend and represents a policy switch by IMI to a more generous allocation. A dividend of L2,000 was paid in 1992 on each of the then 60m shares which were increased to 600m before the public offer.

The total payout has increased from L120bn to L240bn ($147m).

INTERNATIONAL COMPANIES AND FINANCE

French wine group dips to FFr1.06bn before items

By John Ridding in Paris

Pernod Ricard, one of France's leading wines and spirits groups, yesterday announced net profits of FFr1.06bn ($180m) for 1993, a slight fall from the FFr1.10bn recorded in 1992.

Stripping out exceptional items and the impact of currency effects, profits showed an increase of just under 7 per cent. The exceptional items largely related to gains on the sale of its Société des Vins de France in 1992.

Turnover last year, limited in France by the effects of depressed demand, showed an increase of 3.8 per cent at the group level to reach FFr15.05bn. The company announced an increased dividend of FFr9, against FFr8.5 for 1992.

Mr Patrick Ricard, chairman, said the results for 1993, the internationalisation of the group and its solid financial position allowed the company to be "reasonably confident about the future". However, there were uncertainties concerning the French spirit market, he added.

These related to the depressed level of consumer spending because of the recession last year, and the impact of an increase in alcohol taxes last July. The increase in taxation fed through into spirits prices and, according to analysts, prompted strong buying in the first half of 1992. The effect is likely to distort the sales comparison in the first half of this year.

Mr Ricard said the company's financial structure continued to improve in 1993. The gearing ratio fell to 41 per cent from 60 per cent in 1992. In 1990, the ratio was just under 90 per cent.

Union Minière may return to profit this year

By Kenneth Gooding, Mining Correspondent

Union Minière, the Belgian mining and metals group, expects earnings to improve strongly this year after reporting a slightly reduced net loss for 1993.

Mr Jean-Pierre Rodier, chief executive, said UM might return to a net profit this year. The board, however, did not think it appropriate to pay a dividend for 1993. UM last paid a dividend in 1990.

The group suffered a net loss after minority interests of BFr2.484bn ($69m) in 1993, against a loss of BFr2.814bn the previous year.

Mr Rodier said UM achieved a BFr160m operating profit in a year when most metal prices plummeted. This hit most of its processing operations. The 1992 operating result of BFr1.93bn included BFr1bn non-recurring gains on stocks.

UM managed to stay on course partly because of rationalisation measures and partly because of strong performances at the processing units.

He said UM expected to collect BFr9bn cash in May from its policy of selling non-strategic assets to fund investment in the core business.

UM's turnover fell to BFr105.2bn from BFr120.8bn.

Recharged VW faces remaining obstacles with confidence

But the German car maker must not underestimate the scale of the task. **Christopher Parkes** reports from Frankfurt

Like freshly-minted charm school graduates, the Volkswagen board oozed self-confidence and solidarity. The inescapable message, trotted out eloquently by all seven at a recent outing before the press, was that Europe's biggest volume vehicle maker was out of the mire.

A break-even or better result was likely for this year. And within three or four years, the phoenix emerging from the ashes of 1993's record DM1.94bn ($1.1bn) net loss would have new plumage and continue rising to undreamt-of levels of productivity and profitability.

Forecasts and boasts flowed freely. Japanese competitors had exhausted all their potential for improving productivity, according to Mr Martin Posth, in charge of the Asia Pacific region.

Mr José Ignacio López de Arriortúa, production director, believed VW would leapfrog over the productivity levels of Europe's current indigenous stars, such as Renault, in 1996.

Even Seat, the battered Spanish subsidiary blamed for most of last year's loss, would break even in mid-1995, he said.

Mr Ferdinand Piëch, chairman, said payroll savings were sufficient for him to pocket a DM1,000 note for every VW marque car sold.

German labour costs had been reduced by 15 per cent this year, claimed Mr Peter Hartz, the mastermind behind the so-called four-day week.

Younger workers were not simply twiddling their thumbs in their free time. About 10,000 were being trained into Olympians, who would soon be building cars in less than 10 hours. According to Mr Piëch, production times for the flagship Golf model will be cut from 30 hours to eight hours by 1997.

By then, Mr López estimated, new models and lower prices would have helped VW to a 10-fold increase in US sales, regaining the 5 per cent of the US market captured during the glory days of the early 1970s.

The roots of this extraordinary outburst of self-confidence lie in the arrival in January 1993 of Mr Piëch. Blooming optimism has emerged after a year of turmoil, in which Mr Piëch ejected most of the old board after blaming it for the mess he had taken on.

He has consolidated his front-rank management in a triumvirate comprising himself, the controversial Mr López – hijacked with a gaggle of his so-called warriors from General Motors a year ago – and the ingenious Mr Hartz.

Mr Piëch has led the driva to seize full control over the group's flabby structure. To his overall responsibilities he has added control over the flagship VW marque.

Seat has been stripped down, and effectively has one factory instead of three. Its new, largely German board, is shedding 40 per cent of the Spanish workforce.

Mr Franz-Josef Kortüm, the independently-minded chairman of the Audi quality car subsidiary, has been sacked and replaced by a so-called spokesman in another move seen as shifting more power to the group's centre.

VW is a manufacturer firmly fixed in the overcrowded volume market for mid-range vehicles and its best chance of recovery lies in its ability to beat all competitors. This includes the likes of BMW, which recently launched a compact 3-Series car aimed at top-end Golf buyers, and broke out of its prestige niche with the purchase of Britain's Rover group.

As Mr Piëch said, savings within the group were to be passed on to customers, either as lower prices or enhanced equipment. He noted last week, in relation to the original target price of a possible new model, "DM19,000 is not a VW". The target was now DM4,000 less.

The group's price problems, analysts said, were highlighted last year when VW underperformed in the only mainstream markets to show any growth.

José Ignacio López de Arriortúa: production to overtake European rivals

In Britain, where total car sales rose 11.6 per cent, VW managed a rise of only 7.6 per cent. In the US, up 5.3 per cent, and where VW had to cope with quality and delivery problems, its sales fell 35 per cent.

According to figures presented to analysts last week, the cost of materials at the parent company had fallen to 52.7 per cent of sales, compared with 61.5 per cent in 1992. Group-wide, the ratio fell from a record 64 per cent to 62 per cent.

However, indications of the scale of the task ahead emerged in a one percentage point increase in group personnel costs to 25 per cent of sales, compared with the 2.2 per cent reduction to 20 per cent achieved by BMW.

Other obstacles confronting the group include a bloated workforce. The company admits it has 30,000 more workers in Germany than it needs. In addition, some 4,000 laid-off Spanish employees are due to be taken on again in two years.

Meanwhile, Mr López's aim of increasing group productivity by 25 per cent in the next 24 months will further accentuate employment problems unless a sales jump allows the surplus to be re-employed. Mr Piëch has warned that the four-day week programme will need to be extended beyond its initial two-year run.

More urgently, Mr Piëch still has to turn a group deficit of DM400m in the first quarter into the heralded 1994 break-even when VW's core German market is expected to continue to shrink.

The possibility of criminal charges against his main ally, Mr López, under investigation in Germany and the US in connection with allegations that he and several colleagues stole large volumes of General Motors' industrial secrets, may yet disrupt his boardroom dream team.

However, the chairman refuses as always to contemplate such a prospect.

The mood has reached Mr Klaus Liesen, head of the group's non-executive supervisory board, who recently proclaimed he saw virtually no risk of charges of industrial espionage against Mr López or penalties against VW's US business. Mr Liesen, hitherto VW's leading sceptic on issues relating to Mr López, believes no GM documents made their way into VW.

Woolworth interim result to be restated

By Frank McGurty in New York

Woolworth, one of the oldest retailers in the US, disclosed yesterday it would restate "interim financial results" for fiscal 1994 amid allegations of accounting irregularities. It warned that it may have to restate its fiscal 1993 results.

The company refused to reveal the source or specific nature of the allegations, but announced the appointment of a special committee of outside directors to investigate the charges.

"While the company cannot at this time evaluate the accuracy of the allegations, it believes that nothing in the allegations will materially adversely affect the company's financial positions," Woolworth said just before trading began on Wall Street.

The company added it was unable to estimate the amount of any restatements but said the adjustments were "not expected to have an impact on full-year results". Instead, they would "reflect the correction of gross margins", or the percentage of revenues retained as profit.

"The company believes the announcement speaks for itself," the group said. Paul, Weiss, Rifkind, Wharton & Garrison, the New York law firm retained by Woolworth to assist its investigation, was unavailable for comment.

Mr Bruce Missett, an analyst at Morgan Stanley in New York, said the statement may mean the company would have to move some accounting items from one quarter to another. He added that the development would likely depress Woolworth's share price, which has lost nearly half its value over the past year.

In early trading, the stock fell $1 to a 52-week low of $17.

Moody's Investors Service said it was placing Woolworth's long-term debt ratings and its prime-2 commercial paper under review for a possible downgrading.

CIBC plans growth in world capital markets

By Bernard Simon in Toronto

Canadian Imperial Bank of Commerce, Canada's second biggest financial institution, yesterday unveiled plans to expand in global capital markets through an overhaul of its investment and corporate banking services.

The move is designed to shift CIBC away from its core business in Canadian dollars, which account for 80 per cent of investment banking revenues. Instead, it aims to offer a wider range of services in other currencies to its North American corporate customers, and to increase its business with European and Japanese institutional investors.

Mr John Hunkin, who heads the bank's investment and corporate banking division, said: "The problem is that both on the institutional investor side and the issuing side, our clients have access to global markets and to global competitors, and they want a broader range of capability."

He pointed to the lengthening list of Canadian companies tapping US and other foreign markets for funds. Canadian financial institutions were especially taken aback this year when Rogers Communications, the country's biggest cable-TV operator, sold a high-yield debt issue denominated in Canadian dollars mainly to US investors.

CIBC said it aimed to become more active in high-yield debt markets, derivatives and proprietary trading. At home, it would seek to expand the fast-growing Canadian market in securitised products, especially in the real estate sector.

INTERNATIONAL COMPANIES AND FINANCE

Clock ticks for Air France unions' decision

Rejection of a restructuring plan would mean a referendum, writes John Ridding

Decision tima has arrived for the 14 trade unions at Air France. Mr Christian Blanc, the airline's chairman, has givan them until 6.00pm to sign a rescue plan which is vital to the company's survival.

Union opposition and a wave of violent strikes scuppered the last rescue strategy, put forward by Mr Bernard Attali who was forced to resign as chairman last October. To avoid a similar fate for his own plan – and possibly for himself – Mr Blanc has demanded support from all the unions for his package of measures. So, effectively, has the government, by linking a FFr20bn ($3.5bn) capital injection to staff acceptance of the proposed cost-cutting and restructuring measures.

The stakes are high, both for the state-owned airline and its principal shareholder. Without a significant restructuring, the airline will not be able to stem losses, which last year amounted to an astimated FFr7.5bn.

Mr Blanc is proposing a 30 per cent increase in productivity over the next three years, achieved by the loss of 5,000 jobs, a wage and promotion freeze, the reduction of the airline's fleet and a reorganisation of the group into separate profit centres.

Christian Blanc: will ask staff direct if union support fails

The problem for Mr Blanc is that months of negotiations, involving more than 2,000 meetings with unions and personnel, have failed to overcome opposition from some quarters. The latest and final round of negotiations last weekend brought some changes to the package; the pay and promotion freeze may now be reviewed after one year, and Mr Blanc agreed to eccept alternatives to increased working hours (from 38 to 39 hours per week for ground staff) if they yield the same productivity gains.

But for some unions, such changes are inadequate. The strongest reaction has come from the communist Confédération Générale du Travail (CGT), tha second-largest union at Air France with 2,100 members out of the airline's 40,000 employees. CGT representatives walked out of the negotiations on Saturday evening and oppose the final version of the restructuring plan which was delivered earlier this week.

"We cannot sign this plan," said Mr Raymond Besco, the general secretary of the union, adding that a final meeting would be held this morning to confirm the union's position. He opposed plans to cut jobs, freeze wages and extend working hours and described the linking of the FFr20bn capital injection to staff approval of the plan as "unacceptable blackmail".

According to Mr Besco, "it is not acceptable for a public company to cut employment in the present economic climate". Ha agreed that the airline needs restructuring, but said cutting its aircraft from 166 to 149 over the next five years would weaken Air France in international markets.

CGT is the most radical of the unions, and others have been more supportive. Force Ouvrière, the largest union among Air France's employees, has said that it "does not want to throw a spanner into the works of the package". It said it was conducting a secret ballot of its members and that the results would be analysed this morning.

The Confédération Française Démocratiqne du Travail (CFDT), the third-biggest union, said that there has been "considerable progress on certain points, a little on others and none at all on some". A spokesman said that it was weighing the relative importance of its reservations with the plan and would make a final decision today.

Even with support from Force Ouvrière, the CFDT and the smaller unions, however, a rejection from the CGT would ruin Mr Blanc's hopes for unanimous union support. In this case, the Air France chairman has indicated that he will appeal directly to the airline's staff, probably by referendum.

"The document is definitive. If the 14 unions have not signed by 6.00pm then we will have to go to a general consultation," said a spokesman for the airline. Snch an appeal could be expected within the next few weeks, although the terms of the document have not been decided.

The strategy behind a referendum would be to isolate opponents of the package. But Mr Blanc is likely to need a comfortable approval margin – above 50 per cent – to proceed with his plan. The unions say they accept the idea of a referendum in principle; in practice, however, it may be a different matter. "It will depend on the terms," said Mr Besco; if it is a simple yes/no on the package, then the CGT will oppose it.

Without majority support through a referendum, Air France would clearly enter a new, and more dangerous, phase. But risks remain, even with a mandate from the majority of its staff. In particular, the fragmented nature of union membership at the airline provides scope for tha disruptive action which proved so damaging last October.

BTA suspended in anti-Banesto move

By Peter Wise in Lisbon

Portugal's Stock Exchange Commission (CMVM) yesterday suspended shares of Banco Totta e Acores (BTA) following moves by the central bank to curb the influence of Banco Espanhol de Credito (Banesto), the crisis-hit Spanish bank which has a substantial equity stake in BTA.

Banesto and an associate investor own some 50 per cent of BTA. The CMVM said the shares had been suspended indefinitely because of moves to limit the voting rights of Banesto and its associate to 25 per cent. Banesto's direct and indirect holdings in BTA contravenes Portuguese legislation limiting foreign ownership of the bank to 25 per cent.

Banesto's voting rights were reduced ahead of BTA's annual general meeting today and before the conclusion of separate investigations into the legality of the Spanish bank's shareholdings in BTA by Portugal's attorney-general, the central bank and the CMVM.

The suspension appeared to be aimed at halting speculative trading after control of BTA had been thrown in doubt by the central bank measure, analysts said yesterday. The Portuguese government has said it wants to return BTA to Portuguese control, and at least two Portuguese businesses have lined up bids to take control.

The central bank said its measure did not reflect on the financial stability of BTA, which it described as prudently managed with an adequate level of capital.

Interbrew buys Zagreb stake

By Gavin Gray in Ljubljana

Interbrew, the Belgian brewer, has won the tender to buy a 23.78 per cent stake in Zagreb Breweries, Croatia's largest brewery, with a bid of DM19.5m ($11.69m).

Its offer, which values the brewery at DM82m, beat four rival bidders including Brau of Austria, Castel of France and Mr Andronic Luksic, a Croatian millionaire now living in Chile.

The shares sold to Interbrew are owned by the Croatian Privatisation Fund and two Croatian pension funds. The brewery was privatised in April 1993 and the majority of shares are owned by employees.

Interbrew plans to invest a further DM21m through a capital increase which would constitute the largest foreign investment in Croatia.

The latest investment marks a rise in investor interest in Croatia. Foreign companies made equity investments of $18m in 1992 and $56m in the first nine months of 1993. But with the conflict in Bosnia-Hercegovina appearing close to resolution, bankers are predicting that the level of investment will rise gradually.

"There will be a lot of interest in medium to small deals, particularly from Austrian and German companies," said Mr Charles Harman, executive director at CS First Boston in London. "Bigger deals will not be so easy."

A privatisation law came into force in May 1991 and 1,907 enterprises had been privatised by the end of January. "We haven't stopped the process even for e minute, even at the most difficult moments," said Ivan Penic, president of the Croatian Privatisation Fund.

The law allows Croatian workers to buy shares of up to DM20,000 in book value at a 20 per cent discount to the nominal value plus 1 per cent for every year they have worked.

One third of the remaining shares in each enterprise were transferred to two pension funds and the balance was transferred to the Croatian Privatisation Fund, which now has a DM8bn portfolio of assets.

However, the govarnment desperately needs money and the fund is starting to sell assets.

In early March, the fund agreed to sell a 30.5 per cent stake in Croatia's second-largest brewery, at Karlovac. The buyer was Mr Luksic, who paid DM10m for his stake.

The fund is planning to sell stakes, in several other consumer product companies, including Kras, Croatia's largest chocolate producer.

Amdahl in alliance to offer MPP computers

By Louise Kehoe in San Francisco

Amdahl, the US mainframe compnter company, plans to offer high-performance database systems based on massively-parallel processor (MPP) supercomputers. Its announcement pre-empts the expected introduction of similar products by IBM.

Amdahl has formed an alliance with nCube, a US manufacturer of MPP computers; Oracle, the leading database software company; and Information Bnilders, a software company that specialises in linking different types of computers on networks.

Amdahl, whicb bas been struggling to keep pace with rapidly falling prices for its mainframe computers, sees the alliance as an opportunity to broaden its market.

MPPs achieve very high processing speeds at low cost by linking thousands of microprocessor chips, similar to those used in personal computers, to work together in parallel. Most MPPs have been used in scientific and technical applications.

However, IBM is expected next week to announce an MPP system aimed at the commercial market. Amdahl and its new partners said they too would enter this field within the next few months.

Bnsiness intelligence systems that capture, analyse and distribnte information from mainframes and other compnter systems are now seen as critical to process re-engineering efforts taking place in many bnsinesses, Amdahl noted.

nCube will supply the hardware for the prodncts. Oracle and Information Builders will provide software. Amdahl will market the products.

■ Hearst Corp and Capital Cities/ABC are have agreed to buy Viacom's one-third interest in Lifetime Television for $317.6m in cash, AP-DJ reports from New York.

Hearst and Capital, Cities, which eacb own one-third interests in the cable network, will each own half interests on completion of the deal.

INTERNATIONAL COMPANIES AND FINANCE

Market operations help rise at Kuwait bank

By Mark Nicholson in Cairo

United Bank of Kuwait, the London-based bank owned by Kuwaiti financial institutions, has reported a 40 per cent rise in pre-tax profits, to £14.5m ($21.6m), for 1993. The figure was struck on operating income of £50.6m, a rise of 9.5 per cent.

UBK, 24 per cent of which is held by the Kuwait national pension fund, reported profits after tax of £10.3m, up from £7.5m in 1992. Its capital base rose 17 per cent to £235m. Shareholders will receive an overall dividend of £7.7m.

Mr Chris Keen, general manager, said the results showed progress on all fronts, particularly in market-based operations, notably its fixed-income products. The bank, the bulk of whose clients are Kuwait or Gulf-based, saw its funds under management rise 22 per cent to almost $2.84bn.

The 1993 figures mark a substantial improvement on the bank's recent earnings, after showing only an operating profit in 1990, when it was hurt by the the Gulf war. UBK showed modest improvements in 1991 and 1992.

Mr Keen said UK commercial property funds opened in 1992 and 1993 were performing well, as were newly-introduced private banking and Islamic banking products. "We feel well-placed. The markets we're operating in are more difficult than they were last year, but we will continue to do well," he said.

In May last year, UBK bought Portman Asset Management as a wholly-owned subsidiary. The unit is launching property investment trusts with guaranteed minimum returns, medium-term Islamic leasing funds and a high-yield retail fund.

UBK last year also sold down $30m of UBK-originated aircraft financing loans and £38m of real estate loans. In July, the bank sold a £70m slice of its UK residential mortgage portfolio to Birmingham Midshires. However, it retained £50m of home loans, representing special-case loans or those to Gulf clients.

Selling a blueprint for black mining control

Anglo American's reorganisation has deep political implications, writes **Matthew Curtin**

Anglo American's decision to break up Johannesburg Consolidated Investment, its associate mining house, amounts to a significant corporate reorganisation in its own right. However, the aim of relinquishing control of many of its assets ideally to the black business community sets the manoeuvre apart.

The African National Congress, however, which has called publicly for the establishment of a "black mining house", is quick to point out that the move provides only a platform for what might be an important development towards greater formal black ownership of the economy. "Let's wait and see," says ANC spokesman Mr Carl Niehaus.

Circumspection is required, because although Anglo has proved its word and designed a workable vehicle for black economic empowerment, quite who will emerge to manage a black-owned mining house and raise money to buy it is still unclear.

"There is no heir apparent," say Mr Michael Spicer, an Anglo spokesman. He notes that Anglo's exercise in Afrikaner economic empowerment in the 1960s – when mining assets were sold to insurance group Sanlam – took six years to complete.

Reaction from the local investment community is more welcoming, with surprise stemming not so much from the decision to dismantle JCI but the way in which it is going to be done.

Analysts were aware Anglo was considering the disposal of JCI to black business, but they were puzzled how it could be done so as to reduce the cost of buying the group outright and the risks associated with raising that amount of capital, while ensuring Anglo would retain its strategic investments within JCI.

JCI, in which Anglo and sister company De Beers have 39.6 per cent and 8.4 per cent stakes respectively, is a considerable mining industrial enterprise. It has a market value of R13bn ($3.8bn) and yearly sales of R2.6bn. Its assets include Rustenburg Platinum, the world's largest platinum producer, two quality gold mines, important coal and ferro-chrome businesses, and large stakes in two of the countries leading industrial groups: South African Breweries and the Premier Group.

The mechanism Anglo will use for the unbundling is the creation of three new holding companies, which will house JCI's platinum, other mining, and industrial interests. Anglo will retain control of the platinum mining arm – it will buy JCI's diamond trading interests, regarded as a natural fit with De Beers – while encouraging black investors to come forward to buy shares in in the other holding companies, which represent large but less formidable businesses from the point of view of an outside buyer.

Mr William Bowler, head of research at stockbrokers Fergusson Brothers, says: "It's a very clever move which makes a good deal of corporate and political sense."

Australian drinks group in Slovenia

By Nikki Tait in Sydney

Coca-Cola Amatil, the Australian-based soft drinks company controlled by Coca-Cola in the US, is acquiring a 75 per cent interest in the former state-owned enterprise which holds the Coca-Cola franchise in the Republic of Slovenia. The deal is worth about A$10m (US$7.1m).

Coca-Cola said the business, which is being privatised, will manufacture and distribute Coca-Cola products through an existing bottling plant in Zalec, and a sales and distribution depot in Ljubliana. The remaining equity in the business will be held locally, essentially by employees.

Coca-Cola Amatil already has franchises in surrounding countries, including Austria, Hungary, the Czech and Slovak republics and Belarus.

● Amcor, the Australian paper and packaging group which has been expanding aggressively into Europe and North America, yesterday announced plans to build an A$18m flexible packaging plant in Beijing. The project is aimed mainly at servicing multinational customers with established operations in the region.

The company said construction would start shortly, and that the plant was due to be operational by mid-1995.

Nissho Iwai warns of losses on trust, share investments

By Paul Abrahams in Tokyo

Nissho Iwai, Japan's sixth-largest general trading company by sales, yesterday warned it would record extraordinary losses of Y39bn ($376.4m) during the financial year which ands today. It blamed investments in specified money trusts, securities losses, and the costs of closing businesses outside Japan.

The group said it planned to offset the losses through extraordinary sales of land and securities. However, tha net impact would be an extraordinary loss of Y3bn for the 1993 financial year. Post-tax profits would fall short of the Y7bn forecast, it warned.

Nissho Iwai is the latest of many trading houses to announce extraordinary losses on specified money trusts. These financial instruments, known as *tokkin*, were an important source of income during the late 1980s. However, they have become a serious burden since the collapse of the Tokyo stock market. Sumitomo, Mitsubishi and Marubeni have each liquidated unprofitable subsidiaries and cancelled *tokkin* and fund trusts.

Nissho Iwai said it would report a Y16bn loss on its fund trust and *tokkin* accounts. A further Y6bn loss would be incurred by scaling back similar investments at its subsidiary NI Finance. The remaining Y17bn would be accounted for by losses on securities and the closure of oversees operations.

These would be partly offset by a Y5.1bn profit on land sold in Chiba, east of Tokyo, the sale of another plot for Y24.5bn, and Y6bn from sales of securities, it said.

Profits surge at Bank Leumi

By David Horovitz in Jerusalem

Bank Leumi, Israel's second-largest bank, has reported 1993 profits of Shk370m ($125m), a 58 per cent increase on 1992. Shareholders are to be paid dividends totalling Shk114m.

Fourth-quarter profit for 1993 was Shk141m – a massive 88 per cent increase on the same quarter in 1992, and 52 per cent up on the July-September 1993 period.

The bank attributed the rise in profits to a lower allocation for bad debts, reduced activity in loss-making branches overseas, and the implementation of a new domestic business strategy.

The bank also sold off part of its holdings in its Union Bank subsidiary during the year.

Ten per cent of shares in Bank Leumi were sold off on the Tel Aviv stock exchange in May 1993, the bank said. There were plans to sell another 20 to 40 per cent during 1994. Bidders were invited to submit applications by April 18.

Israel's third-largest bank, the Israel Discount Bank, also released figures showing a jump in net earnings for 1993 – up 28.5 per cent to Shk205m. Fourth-quarter profits stood at Shk78m compared to Shk69m in the same quarter of 1992.

Israel Discount Bank's managing director Mr Avraham Asheri attributed the improved performance in part to lower taxes, and also to the fact that, for 1993, all profits from the bank's Mercantile Discount Bank subsidiary had been included in the consolidated statement. In 1992, only 50 per cent of the profits had been included.

Comalco leads power station deal

By Nikki Tait

A consortium led by Comalco, the large intergrated aluminium producer which is 67 per cent-owned by CRA, yesterday formally acquired the Gladstone power station from the Queensland government for A$750m (US$536m).

To help fund the deal, Comalco and its partners required non-recourse project financing of A$625m. This has been provided by e banking consortium led by Barclays Bank, and involving Commonwealth Bank of Australia, ANZ, Industrial Bank of Japan and Deutsche Bank.

The transaction has attracted considerable attention, because it was the first financing of a large resources-related project whose viability could be affected by an Aboriginal land claim under the new federal native title legislation. This came into force et the beginning of the year.

The purchase of the power station is tied to Comalco's plans to expand production of its nearby Boyne Island aluminium smelter. However, land in the surrounding Cape York peninsular is subject to a native title claim by the Wik people. The claim covers some of Comalco's bauxite leases, which may have to supply raw material to the smelter.

INTERNATIONAL CAPITAL MARKETS

Floating-rate gilts auction 2.28 times oversubscribed

By Tracy Corrigan and Antonia Sharpe in London and Frank McGurty in New York

After a weak start, UK gilts outperformed most other markets yesterday with traders taking heart from the positive reception to the Bank of England's first auction of floating-rate gilts for 15 years.

Dealers said prices were also boosted by signs of strength in US and German bond markets.

Gilt prices opened a point lower, as the market fell prey to rumours that UK prime minister John Major was on the point of resigning. But such fears were soon shrugged off, and long gilt futures on the Liffe gained almost two points before falling back in after-hours trading to end at 107$\frac{4}{32}$, up 1¼ points.

The £2.5bn worth of floating-rate gilts due 1999 was over-subscribed by 2.28 times, according to the Bank of England. The weighted average accepted price was 99.92. The gilts pay interest of ⅛ point below the London interbank bid rate (Libid).

Dealers interpreted the auction's success as a sign of confidence in the market, rather than a symptom of lack of interest in conventional gilts, reflecting expectations that UK interest rates will start to rise sooner rather than later.

The enthusiastic reception to the auction fuelled hopes that more of the Bank's funding will be completed through floating-rate issues, limiting the supply of conventional, fixed-rate gilts.

Despite the strong rally, there was little sign of any return to the market by medium-term institutional investors, and price changes were driven by futures trading.

The spread between two-year and 10-year gilts has widened to 119 basis points from 85 basis points on Friday, as the long-end of the market improved.

Yesterday's rally "prompted discussion of a key reversal day," according to Mr Simon Briscoe, UK economist at SG Warburg. Many analysts believe the market could rally strongly from current levels, if end-investors return to the market.

GOVERNMENT BONDS

■ Italian government bonds ended higher after a fairly volatile day on hopes that the right-wing alliance would be able to form a government in the near future. The June contract of the Italian government bond future on Liffe traded between a low of 109.95 and a high of 111.80 during the day. In the late afternoon, the contract stood at 111.35, up 1.17 points on the day.

■ German government bond prices rallied slightly on the news of a four basis point cut in the repo rate. The Bundesbank awarded DM65.9bn in variable-rate securities repurchase agreements, and lowered the marginal rate to 5.76 per cent from 5.80 at last week's repo. Dealers said the cut was widely expected, and prices ended the day only about ⅛ point higher.

■ French government bonds remained vulnerable to domestic political developments but traders detected some buying interest late in the day, which they said was position-squaring ahead of the long Easter weekend. The June contract of the notional 10-year French government bond on Matif fell from a day's high of 123.08 to trade at 122.94 late in the afternoon, down 0.12 points on the day. However, this was off the day's worst level of 122.74.

■ Longer-dated US Treasury bonds slipped further yesterday morning as a stronger than expected data on factory orders brought an abrupt halt to an early rebound in prices.

By 11am, the benchmark 30-year government bond was ⅛ lower at 89$\frac{11}{32}$, with the yield rising to 7.073 per cent. Most of the damage came in the intermediate segment, with the seven-year issue down $\frac{1}{16}$ at 95⅝, to yield 6.371 per cent. At the short end, the two-year note edged $\frac{1}{32}$ higher to 99$\frac{25}{32}$, to yield 5.158 per cent.

After days of heavy selling pressure, the market opened firmer, with prices across the yield curve showing modest improvement in lacklustre activity.

But the market gave back all its gains and more after the Commerce Department said new factory orders had fallen 1.0 per cent last month, the first decline since July. Analysts were forecasting a steeper decline of 1.2 per cent.

Traders were also disappointed that most of the weakness was concentrated in the volatile aircraft sector. The data's suggestion that February's harsh weather had not slowed the economy as much as expected sent a chill through traders, who were already nervously anticipating Friday's important employment data for March.

Anticipation of the report was expected to keep many investors on the sidelines. Economists foresee a rise in non-farm payrolls of 250,00.

Record domestic issue from China

By Tony Walker in Beijing

China will tomorrow launch an $11.5bn domestic bond issue – its biggest ever – to help cover the budget deficit and the increasing debt-service obligations of its vast infrastructure programme.

Western bankers and economists say that plans to issue some Yn100bn ($11.5bn) in two and three-year bonds are highly ambitious and will severely test the Chinese debt markets.

In the past, China has resorted to compulsory sales to individuals and institutions to clear a backlog. The authorities last year also outlawed the issue of competing debt issues such as enterprise bonds.

China's budget deficit is forecast to reach Yn67bn this year, a big increase over last year. Total liabilities, including domestic and foreign debt service, are expected to amount to Yn139.6bn.

China has already issued Yn15bn in six-month and 12-month Treasury bills to institutions this year. The 12-month paper is yielding just under 12 per cent, or about one percentage point more than the bank deposit rate.

Chinese officials see this year'a massive bond issue as soaking up surplus funds and aiding the fight against inflation.

Among causes of continuing sharp rises in the cost of living is a consumer spending boom. China is also struggling to reduce money supply growth.

The three-year bonds will carry an interest rate of 13.96 per cent. This compares with increases in the cost of living running at more than 20 per cent in the larger cities.

Chinese investors have been reluctant to take up yuan-denominated bonds because of currency depreciation and worries about inflation.

● Beijing's first-ever public share offer has been heavily oversubscribed, the Beijing Evening News reported yesterday.

Thousands queued for three days at more than 300 outlets to buy forms giving them the right to participate in a lottery for shares in four companies.

The companies include Beijing Department Store and Beijing Light Bus Company.

Healthy demand seen for Dutch guilder-denominated paper

By Sara Webb

ABN Amro Bank, the Netherlands' largest bank, and Nederlandse Gasunie, the Dutch gas company, tapped the guilder sector of the international bond market yesterday with issues amounting to Fl 650m, following close on the heels of a Fl 400m deal by the Kingdom of Sweden on Tuesday.

Whila activity remained fairly subdued, syndicate officials were optimistic that the Republic of Italy might tap the international bond market soon, following the general election outcome.

Mr Alberto Giovannini, head of the Italian Treasury's international borrowing programme, said yesterday there were no plans to launch an international bond issue in the immediate future.

He pointed out that the market background has been "very unwelcoming" recently, but added that Italy has been looking at the possibility of doing a bond issue at some stage.

Italy's foreign currency borrowing is expected to be between $10bn and $12bn in 1994, of which about $3bn equivalent has already been achieved.

INTERNATIONAL BONDS

In the guilder sector of the market, syndicate officials claimed there was fairly healthy demand for guilder-denominated paper, despite the recent volatility in the bond markets which has kept many borrowers away.

Dutch government bonds, which have tended to yield less than German government paper, are currently yielding more than their German counterparts as the Dutch market has reacted badly to recent inflation figures.

However, syndicate officials claim some investors are taking the view that there is scope for Dutch paper to trade through German bonds again, and that the market will pick up as and when the Bundesbank eases.

ABN Amro's self-led Fl 500m bond issue has a six-year maturity, a coupon of 6.375 per cent and yields 25 basis points over the government paper. The bonds were mainly pre-placed with domestic institutions, according to the bank, and they traded at around 99.55 to 99.65, above the reoffer price.

Nederlandse Gasunie's Fl 150m, five-year deal was aimed mainly at retail investors in Switzerland and the Benelux countries who are attracted by the triple A rating. The bonds were priced to yield 8 basis points over government bonds and traded at 99.35–99.45 by late afternoon.

● Royal Bank of Scotland announced that it has raised $200m from US retail investors with an issue of perpetual notes exchangeable into preference shares.

The bank issued 8m Exchangeable Capital Securities of $25 each with a coupon of 8.5 per cent. The notes count as upper tier two capital.

● Nomura's securitisation subsidiary has launched a $410m issue backed by US commercial mortgages, writes Antonia Sharpe in London.

Of the total issue, $353m will be sold through a public offering and the remainder through a private placement. Thirty-three per cent of the issue is secured on loans on hotels and 67 per cent on retail properties. Around 60 per cent of the multi-tranche deal is rated triple A. Maturities go up to 20 years and payment on the deal is due April 15.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Koninklijke Van Ommeren(a)‡	75	(b)	100.00R	May.2001	0.40R	-	Chemical Investment Bank
GUILDERS							
ABN Amro Bank	500	6.375	99.48R	Apr.2000	0.25R	+25 (8%-00)	ABN Amro Bank
Nederlandse Gasunie	150	6.00	99.45R	May.1999	0.20R	+8 (7%-99)	ING Bank
ITALIAN LIRE							
Crédit Local de France(c)	100bn	7.30	97.445	Jan.1999	undiscl.	-	JP Morgan
AUSTRALIAN DOLLARS							
Société Générale Australia	75	7.00	100.25	May.1997	1.50	-	Barclays de Zoete Wedd

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable and puttable in May.99 at par. b) 3-mth Libor +¼%. c) Fungible with outstanding L200bn. Plus 84 days accrued.

IBCA positive on Nordic banks

By Hugh Carnegy in Stockholm

Banks in the Nordic region, battered by heavy loan losses, are on the road to recovery and some are likely to see individual ratings raised this year, IBCA said yesterday.

The European rating agency said improved results in 1993, with major banks in Denmark, and Norway and some in Sweden swinging back to profit, were attributable largely to favourable market conditions but it warned the situation had not yet returned to normal.

"Further falls in interest rates, if any, will be relatively limited and net interest revenue in many Nordic banks looks set to come under pressure from intensified competition," IBCA said.

"Similarly, capital gains on securities are not expected to be as high as in 1993," the agency added.

But it also said there was an improvement in the underlying financial condition of many banks as loan loss provisions were on a downward trend and anticipated continuing improvement in 1994.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	110.6500	-3.040	7.88	7.18	7.05
Belgium		7.250	04/04	100.1000	-0.100	7.23	7.30	7.23
Canada *		6.500	06/04	90.0000	-1.300	7.95	7.52	7.22
Denmark		7.000	12/04	100.4500	-0.270	6.93	8.65	6.87
France	BTAN	6.000	05/98	107.0000	+0.130	6.76	6.76	5.42
	OAT	5.500	04/04	92.3800	+0.240	6.56	8.44	6.34
Germany		6.000	09/03	97.6700	-0.310	6.33	6.28	6.41
Italy		8.500	01/04	96.1100	+0.340	9.11†	9.28	9.57
Japan	No 118	4.800	06/99	106.0730	-	3.43	3.50	3.47
	No 157	4.500	06/03	103.2970	-	4.01	4.16	3.86
Netherlands		5.750	01/04	94.8000	+0.160	6.48	6.44	6.47
Spain		10.500	10/03	108.0000	-1.050	9.19	8.84	9.14
UK Gilts		6.000	06/99	94-24	+15/32	7.20	6.78	6.45
		8.750	11/04	93-22	+42/32	7.63	7.45	7.09
		9.000	10/08	110-14	+58/32	7.79	7.59	7.27
US Treasury *		5.875	02/04	93-18	-23/32	6.77	6.42	6.31
		6.250	08/23	89-23	-30/32	7.09	6.84	6.81
ECU (French Govt)		6.000	04/04	93.2500	+0.200	6.95	6.86	6.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	6¼	One month	3.63	Two year	5.17
Broker loan rate	5	Two month	3.54	Three year	5.58
Fed.funds	3¼	Three month	3.57	Five year	6.21
Fed.funds at intervention	3½	Six month	3.94	10-year	6.76
		One year	4.40	30-year	7.09

Treasury Bills and Bond Yields

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.56	123.06	+0.32	123.10	122.30	203,412	144,703
Sep	121.86	122.36	+0.32	122.00	121.86	687	12,777
Dec	121.15	121.66	+0.32	121.16	121.16	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
123	0.25	1.71	1.92	0.26	1.72	-
124	0.01	1.20	-	1.08	-	-
125	-	0.80	1.06	1.95	2.80	-
126	0.01	0.50	-	2.99	3.48	-
127	-	0.29	0.57	-	4.25	-

Est. vol. total, Calls 76,516 Puts 35,708. Previous day's open int., Calls 403,124 Puts 272,012.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.80	96.37	0.28	96.46	95.76	116066	193846
Sep	95.50	96.06	0.27	95.80	95.50	107	5362

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9600	1.35	1.63	0.98	1.55
9650	1.08	1.38	1.21	1.80
9700	0.85	1.16	1.48	2.08

Est. vol. total, Calls 10041 Puts 15832. Previous day's open int., Calls 275823 Puts 233965

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.51	100.65	0.09	100.68	100.50	67	2290

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.00	111.50	1.32	111.80	109.95	65431	105377
Sep	-	111.15	1.32	-	-	0	229

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11150	2.25	3.01	2.25	3.38
11200	2.02	2.78	2.52	3.63
11250	1.78	2.57	2.76	3.92

Est. vol. total, Calls 2858 Puts 4530. Previous day's open int., Calls 75142 Puts 71728

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.72	99.16	+0.20	99.83	98.80	48,282	97,079
Sep	-	99.98	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-01	107-24	2-02	107-24	104-25	108323	172767
Sep	106-28	106-28	2-02	106-28	106-07	67	107

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
107	2-29	2-61	1-45	3-05
108	1-59	2-32	2-11	3-40
109	1-31	2-07	2-47	4-15

Est. vol. total, Calls 5396 Puts 3334. Previous day's open int., Calls 88096 Puts 74091

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.20	89.60	+0.24	89.60	89.00	1,396	6,077

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	106-23	106-31	+0-02	107-02	106-21	442,180	365,357
Sep	105-29	106-03	+0-02	106-05	105-27	5,645	43,994
Dec	-	104-23	-	-	-	24	1,180

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.65	-	-	111.70	111.51	1380	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Mar 30	Day's change %	Tue Mar 29	Accrued interest	xd adj. ytd		Low coupon yield Mar 30	Mar 29	Yr. ago	Medium coupon yield Mar 30	Mar 29	Yr. ago	High coupon yield Mar 30	Mar 29	Yr. ago
1 Up to 5 years (24)	124.37	+0.02	124.34	1.64	2.88	5 yrs	7.28	7.35	6.68	7.52	7.59	6.98	7.62	7.68	7.17
2 5-15 years (23)	147.56	+1.04	146.31	1.61	4.03	15 yrs	7.70	7.87	7.77	7.78	7.97	8.22	8.05	8.25	8.48
3 Over 15 years (8)	166.72	+1.80	163.78	1.48	3.53	20 yrs	7.79	7.98	8.03	7.78	7.98	8.38	7.98	8.19	8.55
4 Irredeemables (6)	190.86	+1.35	188.32	3.35	1.47	Irred.†	7.86	8.07	8.45						
5 All stocks (62)	144.17	+0.85	143.08	1.70	3.48										

Index-linked	Wed Mar 30	Day's change %	Tue Mar 29	Accrued interest	xd adj. ytd		Inflation 5% Mar 30	Mar 29	Yr. ago	Inflation 10% Mar 30	Mar 29	Yr. ago
6 Up to 5 years (2)	184.89	+0.01	184.85	-0.05	2.53	Up to 5 yrs	3.19	3.18	2.25	2.25	2.25	1.37
7 Over 5 years (11)	179.72	+0.38	179.03	0.73	1.29	Over 5 yrs	3.42	3.45	3.41	3.24	3.26	3.23
8 All stocks (13)	179.36	+0.34	178.75	0.65	1.41							

Debentures and Loans	Wed Mar 30	Day's change %	Tue Mar 29	Accrued interest	xd adj. ytd	5 year yield Mar 30	Mar 29	Yr. ago	15 year yield Mar 30	Mar 29	Yr. ago	25 year yield Mar 30	Mar 29	Yr. ago
9 Debs & Loans (73)	134.39	+0.85	133.34	2.02	3.24	8.83	8.99	8.52	8.94	9.05	8.30	8.86	9.08	8.53

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 30	Mar 29	Mar 28	Mar 25	Mar 24	Yr ago	High*	Low*
Govt. Secs. (UK)	96.64	95.97	96.61	96.30	97.63	96.68	107.80	93.28
Fixed Interest	115.14	115.45	117.78	117.53	119.31	112.07	133.87	112.84

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Mar 29	Mar 28	Mar 25	Mar 24	Mar 23
Gilt Edged bargains	120.8	100.1	115.7	152.3	96.6
5-day average	117.2	112.5	110.6	107.0	94.4

FT/ISMA INTERNATIONAL BOND SERVICE

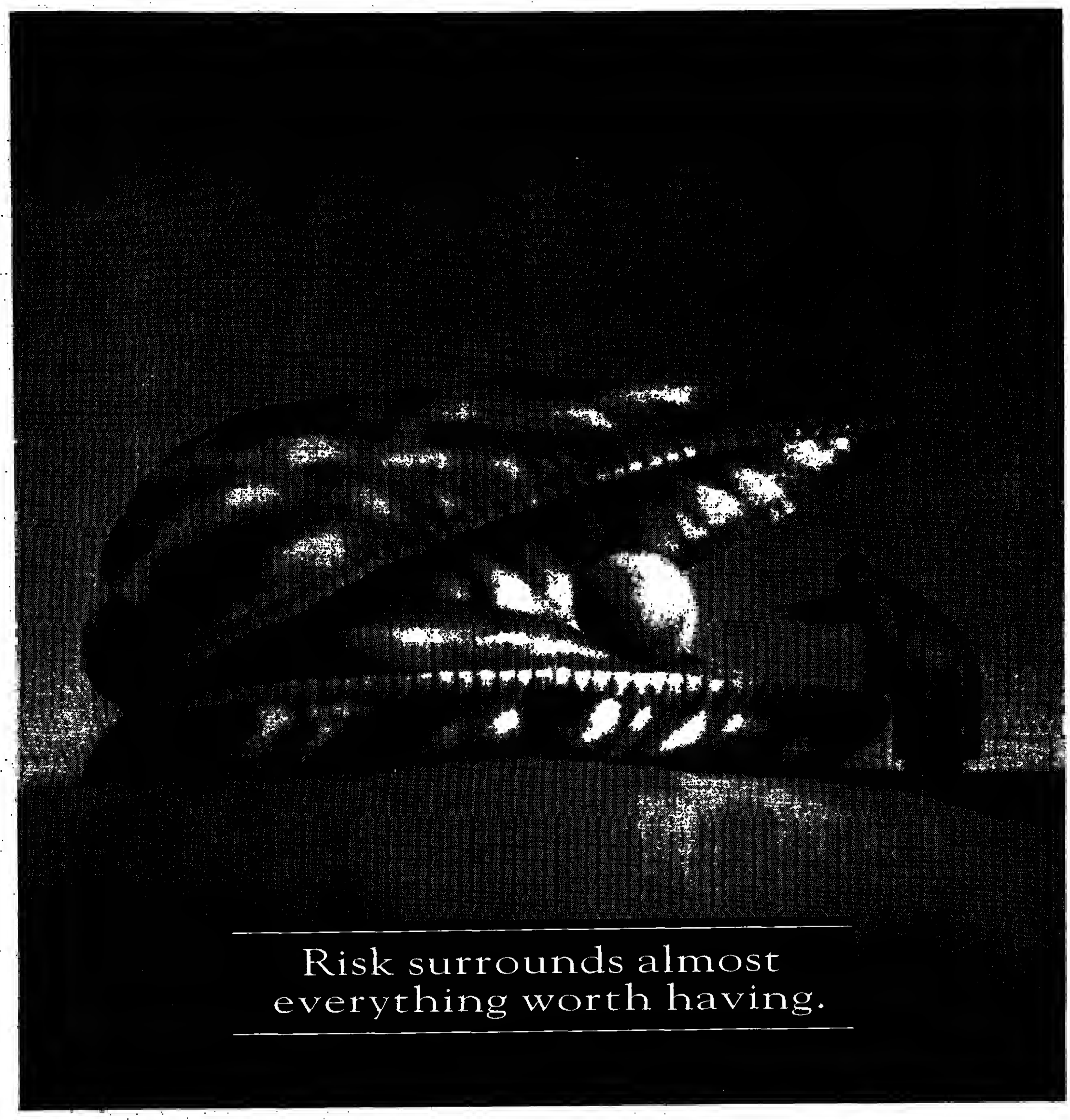
Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 30

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	94⅜	94⅝	-⅛	7.37
AlbertaProvince 9⅜ 96	600	105⅜	100		5.42
Austria 8½ 00	400	107⅞	108⅛	-⅛	6.81
Bank of Tokyo 8⅛ 96	100	104⅝	105⅛	-⅛	5.86
Belgium 9⅝ 96	250	111¼	111⅝	-⅛	6.51
United Kingdom 7¼ 97	5500	104	104¼		5.84
Volkswagen Intl Fin 7 00	1000	100¼	100½	-⅛	6.98
World Bank 0 15	2000	25⅝	27⅛		6.26
World Bank 5⅞ 03	3000	95¾	95⅞	+⅛	6.49
World Bank 8¾ 00	1250	113	113⅜	-⅛	6.11
Abbey Natl Treasury 0 00 £	1000	97⅛	97½	+⅛	8.47
Alliance Leics 11⅜ 97 £	100	110¼	110⅝	+⅛	7.54
British Land 8⅞ 23 £	150	92⅞	93⅜	+1⅛	8.84
EIB 10 97 £	637	106½	106⅞	-½	7.36
Halifax 10⅜ 97 £	100	107¼	107⅝	-⅛	7.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	Low
Shorts (Lives up to Five Years)						
Exch 13½pc 1994	13.50	-	100	—	109⅛	100
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.



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LEAD FROM STRENGTH

Harrisons & Crosfield advances 15% to £98m

By Peggy Hollinger

Harrisons & Crosfield, the plantations, chemicals and commodities group, announced a 15 per cent increase in pretax profits to £98m for 1993 in spite of a poorer than expected result from the agricultural feeds business acquired for £67m in 1992.

Sales were 14 per cent ahead to £2.21bn (£1.93bn). The shares edged back 4p to 205p.

Mr Bill Turcan, the finance director who will take over as chief executive in May, said some of the difficulties which had hit the feeds business last year and prompted the trading statement in December would continue to affect the company into the first quarter.

Nevertheless, he was cautiously optimistic about further growth in 1994.

Earnings per share benefited from a lower than expected tax charge and rose by 13 per cent to 8.6p (7.6p). However the total dividend is uncovered at an unchanged 9p with a proposed maintained final of 5.4p.

The collapse in pig prices and a sharp fall in margins on compound feeds left profits at BOCM Pauls 28 per cent lower. "We missed our targets on BOCM by a mile," Mr Turcan said.

Compound feed margins had since recovered, but pig prices remained some 16 per cent lower than 1992 levels.

The difficulties at BOCM left operating profits in the food and agriculture division 2.3 per cent lower at £37.9m. The other businesses in the division had performed well, Mr Turcan said, with profits, excluding BOCM, about 15 per cent ahead.

The chemicals business increased operating profits by 44 per cent to £39.9m, or by 30 per cent after adjusting for reorganisation costs. The businesses had benefited from increased demand and an industrial restructuring which had left capacity more in line with demand, Mr Turcan said.

Timber and building supplies suffered a two point fall in margins in the second half, as sales began to accelerate. Cost-cutting helped the division report a 31 per cent increase in operating profits on sales 9 per cent ahead to £786m.

Plantations advanced by 20 per cent to £24.2m. The effects of the devaluation of sterling largely offset the decline in the dollar price of palm products.

● COMMENT

Tha main attraction of Harrisons in recent years has been its substantial yield premium. However, this is beginning to look a bit less seductive as the quality of that yield comes under pressure. Harrisons has neither earnings nor cash to cover its dividend, leaving it with limited room for manoeuvre. The recovery may offer some solace, but there may be others in the sector with more flexibility. Forecasts range between £115m and £120m, with the prospective p/e hovering around 19. The shares may tread water until they go ex-dividend, when tha main attraction fades.

Ashley in £20m Spanish write-off

By Simon Davies

Ashley Group, the window blinds and timber company, is to write off the entire £20m deferred payment from the sale of its Spanish food subsidiary. This would result in substantial losses for 1993, the company said yesterday.

Ashley also admitted that it had breached certain banking covenants on its £18.5m of net debt, but said its principal bankers had "been supportive of the steps taken to date."

The announcement follows a business review undertaken after significant board changes in January, including the appointment of Mr Hamish Grossart as chairman in place of Mr James White.

Digsa, the Spanish retailer, has been the root of Ashley's problems. It was sold last April, but the directors have decided it "would not be prudent to assume at this stage that any value attaches to the deferred consideration" of £20m. A further £1.07m will be written off related to discontinued activities.

Ashley will announce full results in May, but it indicated that it had achieved operating profits of £3.1m before interest, and had maintained positive operating cash flow.

Mr Grossart said that given the provisions, and its level of debt, some equity financing would be necessary once it had fully clarified its financial etanding. Meanwhile, preference dividend payments, due on March 31, will be deferred.

The shares fell ¾p to 7¾p.

Alexander Russell £1.68m in black

Alexander Russell, the quarrying, concrete and coal group, reported 1993 pre-tax profits of £1.68m, against losses of £1.94m after exceptional costs of £2.56m. Turnover was £35.9m, against £36.5m including £802,000 from discontinued operations.

Earnings were 2.69p (11.86p losses). A final dividend of 1.25p makes a 1.75p (1p) total.

Bibby decision questioned

By Maggie Urry

J Bibby & Sons faced questioning from shareholders at its annual meeting over the sudden decision a month ago to put a proposed demerger of part of the group on ice, while an offer for one of the businesses from Associated British Foods was considered.

Bibby – 79 per cent owned by Barlow Rand, the South African industrial group – had announced last October that it would float three of its activities – science, paper and agriculture – in a new group. The demerged group was estimated to be worth £75m. The cash raised would cut debt which stood at £122.8m at the September year end.

ABF is interested in the agriculture division. At yesterday's meeting Mr Richard Mansell-Jones, chairman, said the talks with ABF were continuing and an announcement would be made in due course.

Simon Eng calls for £52.5m to reduce debt

By David Blackwell

Simon Engineering, maker of access equipment including fire rescue gear, yesterday announced a 5-for-9 rights issue to raise £52.5m after finally completing complex negotiations with its lenders.

The group is proposing to issue 55.9m new shares at 100p. The issue will be fully underwritten by Hill Samuel and SG Warburg.

The shares closed at 118½p, down 3p on the day.

Simon said the issue would significantly strengthen the balance sheet and sharply reduce debt, enhancing its ability to win new business and pursue a measured disposal strategy.

The issue was flagged earlier this month when the group announced a pre-tax loss of £160.3m for 1993. Mr Maurice Dixson, chief executive, said the rights would be the cornerstone to put the group on a sound financial footing.

Since he joined the group last September, Mr Dixson has concentrated on driving down debt through a programme of tighter controls and disposals. Net borrowings have fallen since then from £148m to £127m.

After the rights issue the group's gearing is expected to fall from 264 per cent to 67.3 per cent, with a further reduction by the end of the year.

Simon's negotiations with its lenders have been protracted because of the number of banks involved. Its new banking and bonding facilities will be provided by Lloyds and Barclays in the UK and the Fifth Third Bank in the US on completion of the rights issue. They will allow Simon to reduce its outstanding US loan notes from \$125m to \$80m (£54.7m) and to repay most of its existing bank debt.

Eradicating the hazards of waste

Peggy Hollinger on the new strategy adopted at Shanks & McEwan

Shanks & McEwan, the waste services company which yesterday announced provisions totalling £20m, is returning to its Scottish roots, says Mr Gordon Waddell, its Glaswegian chairman.

"We are trying to change a culture," said Mr Waddell. "There will be no more free newspapers, no five star hotels. They will have to become Scottish."

The Shanks review which has prompted the further provisions, following the £19.3m announced in June, was greeted with relief in the market. The shares moved ahead by 6p to 87p, against the trend.

Investors were further encouraged by Shanks's guardedly optimistic statement on trading. Substantial progress had been made in solving some of the technical difficulties which hit capacity in the third quarter at Rechem, the hazardous waste incinerator.

However, some questions remained, particularly over the dividend. Analysts speculated that this was likely to be cut under the new, stricter, regime.

Nor was Rechem out of the woods, with considerable uncertainty arising from European Union regulations which come into force on May 8.

From that date Britain has the power to ban all imports of hazardous wastes. "Should it choose to exercise that power," said Mr Waddell, "it would bring into serious question the viability of high temperature incineration in this country."

Rechem depends on imported hazardous waste for about 50 per cent of its sales by value. Mr Waddell said that if the government chose to implement its power to ban all hazardous wastes, at least one of its two plants would have to be closed down. This, he said, could result in a further substantial write-down. The two plants are valued at £31m.

Ashley Ashwood

Gordon Waddell: expects construction will turn corner this year

The real horror story, however, was last year's performance from the construction division, which has prompted two of the three profits warnings in the last three years. Disputes over payments for large road-building contracts have led to a total provision of £28m for bad debts.

Shanks has now admitted that £17m of last year's provisions should be recognised as losses. So far this year it has managed to recover only £3.3m of the total £41m claimed, a substantially lower figure than was expected at the interim stage, with a further £2m to come.

Yesterday the picture worsened, with further construction debt write-offs of £11m. Mr Waddell said Shanks could be confident about recovering only a further £8m to £9m.

One analyst at the company's briefing was prompted to question whether the civil engineering division had been building roads for free over the past 18 months. Mr Waddell does not dodge the accusation. "They did bid at very uncompetitive margins," he says.

Construction now has new management and Mr Waddell is optimistic that it will turn the corner this year. "I would be astonished if it is not in profit," he says.

Management has been revamped throughout the group, leaving only one main job unfilled: that of chief executive.

However, the company would say little more than that the search continued and an announcement is expected before the annual meeting in August.

Some analysts suggested that Mr Mike Averill, recently appointed group operating officer, had been pegged for a second promotion. "There might be few people in the industry qualified to do the job," said one analyst. The company is keeping mum.

Devaluation boosts Spirax-Sarco

By Andrew Bolger

Devaluation helped Spirax-Sarco Engineering, the steam equipment specialist which makes three-quarters of its profits overseas, lift pre-tax profits by 15 per cent to £26.7m in the year to December 31, against £23.1m.

Currency translation added £2.1m to the profits figure. Sales rose from £154.2m to £193m, which included £17.4m from acquisitions. Like-for-like sales improved by 14 per cent but were only 3 per cent higher at constant exchange rates.

Operating profit rose by 11 per cent to £28.1m (£24.8m) with £904,000 coming from acquisitions.

The group said margin improvements in the UK, east Asia and many of its European operations were outweighed by the effects of reduced volume in the Americas and increased expenditure on developing new markets.

Mr Chris Tappin, executive chairman, said order levels so far this year had maintained the trend of volume growth which had been established in the last quarter of 1993.

In particular, the group was now benefiting from improving conditions in the US, although a number of economies in continental Europe remained in decline.

Strict control of stocks helped increase cash flow from operations of £31m (£26.7m) and November's enhanced scrip dividend saved a further £1.9m in cash. Group gearing was slightly reduced at 19 per cent, in spite of expenditure of a net £12.6m on acquisitions and disposals.

Earnings per share rose by 28 per cent to 21.6p, against 16.9p depressed by an exceptional disposal charge representing 1.7p. The underlying earnings increase was 16 per cent.

A final proposed dividend of 3.3p makes a total for the year of 9.9p (9.3p).

● COMMENT

These were good results from a quality company, even if sterling's weakness against the dollar did flatter the headline numbers. Analysts were also pleased by the company's optimism about the recent recovery in orders, although the continuing caution over continental Europe was also noted. Forecast profits of £30m this year put the shares, up 4p to 405p, on a prospective multiple of 17.6. That 10 per cent premium to the market does not look unjustified, given that the group is a late-cycle play and has built an international network which will benefit greatly from increased demand.

Cornhill Ins rises tenfold to £31.5m

By Andrew Jack

Cornhill Insurance, the UK offshoot of Allianz Group, yesterday reported a tenfold increase in pre-tax profits to £31.5m for 1993.

The increase, which the company said was driven by motor and personal insurance, came after profits of £3.1m last year and a loss of £39.5m in 1991.

Overall premium income rose marginally to £709m, compared with £706.8m. Of the total £605.2m (£619.9m including discontinued operations) from general business and £103.8m (£86.9m) from life business.

From continuing operations, there were profits of £24.6m (£15.9m losses) from general business and profits of £300,000 (£2.9m) from life business, offset by a charge of £800,000 to a profit sharing scheme.

The company said that commercial insurance improved but remained in loss, partly as a result of the property claims following the IRA bombing of Bishopsgate in London last year.

Hogg halved to £6m before write-offs

By Andrew Jack

Hogg Group, the insurance broker, yesterday reported pre-tax profits halved to £6.01m for the year to end-December before goodwill write-offs of £4.96m on discontinued items.

Turnover rose 4 per cent to £122m (£118m), while investment and other income fell 15 per cent to £6.12m (£7.22m) and operating expenses rose 9 per cent to £124m (113m).

The board recommends a reduced final dividend of 2.5p (5p) making a total of 5.65p (8.15p).

Hogg said there was an improvement in profits in the professional risk, branches, and credit insurance parts of the UK retail division, offset by a reduction in profits from insurance marketing services.

The members' agency made a loss of £33,000 (£60,000 profit) reflecting lower profit commissions on the 1990 account and "very difficult administration conditions that have faced all Lloyd's agents in 1993."

Acquisitions help lift Waterford to I£24.5m

By Tim Coone in Dublin

Waterford Foods, Ireland's largest milk processor, has reported a 81 per cent increase in 1993 pre-tax profits to I£24.5m (£23.7m) on turnover up 26 per cent to I£694m.

A significant part of the growth came from a full year's contribution – five months in 1992 – from the Express Foods Ireland and Premier Dairies acquisitions made in August 1992, and which have given the group a 35 per cent share of Ireland's liquid milk market.

Mr Stephen O'Connor, group managing director, pointed out that there had also been an overall improvement in operating margins from 5.3 to 5.8 per cent, operating profits having grown 37 per cent to I£39.9m.

Interest charges rose to I£12.6m (I£9.7m), tax doubled to I£2.1m (I£900,000) and goodwill increased to I£3.4m (£1.9m).

About 39 per cent of the group's sales are in Ireland, 35 per cent in the UK, and 17 per cent in the US. The consumer products division – consisting of liquid milk, fresh dairy products and fruit juices – grew by 19 per cent to I£281m, accounting for 41 per cent of group sales.

The dairy products division, which manufactures cheeses, butters, milk powders and food ingredients, grew by 37 per cent to I£341m, accounting for 49 per cent of group sales. Animal feeds accounted for the remaining 10 per cent.

Mr O'Connor said that 1993 had primarily been a year of consolidating the large acquisitions made during the previous two years.

Earnings per share advanced by 11 per cent to 11.1p (10.04p) and a final dividend of 1.64p is being recommended for a total of 2.83p (2.73p).

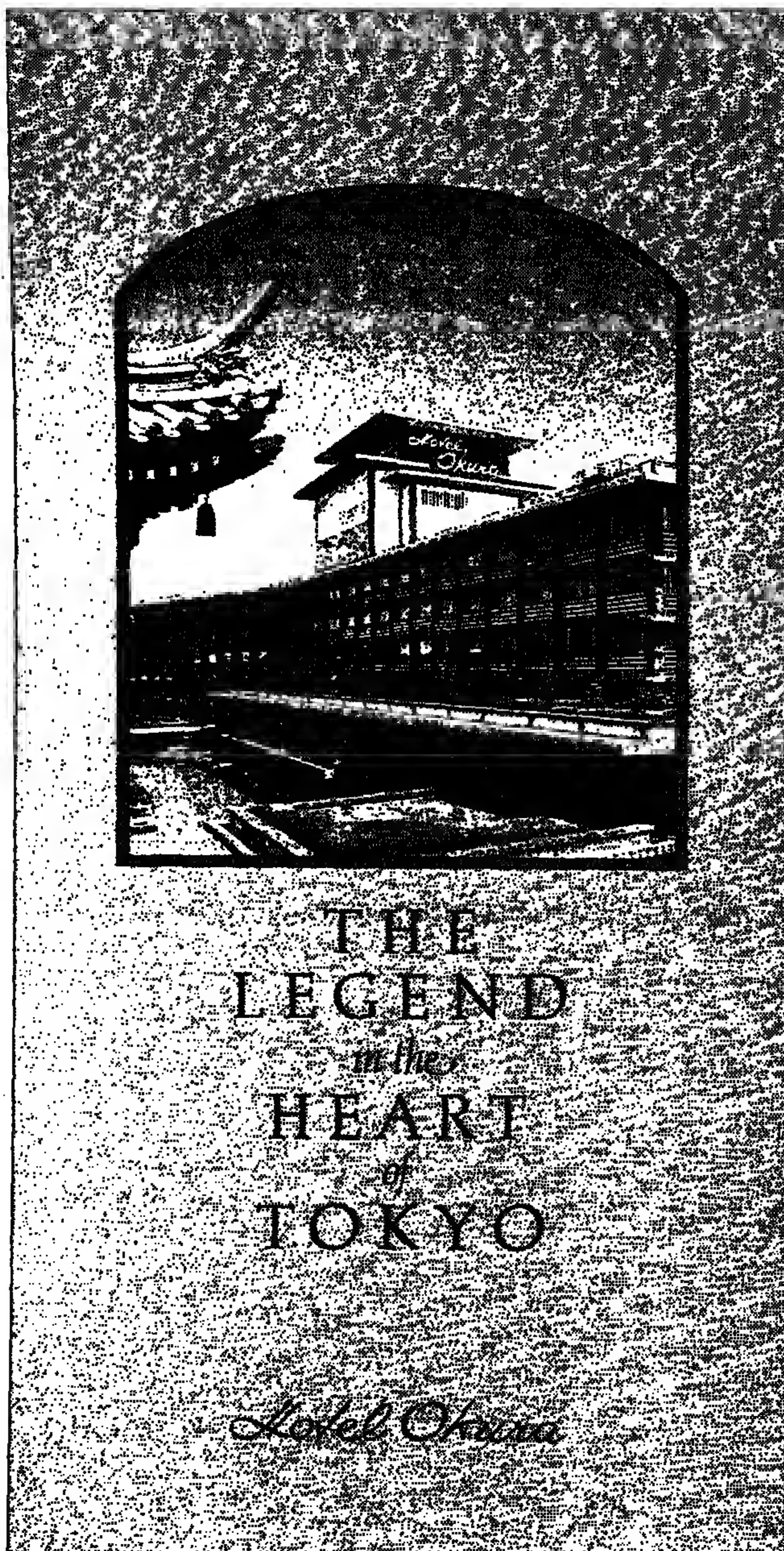
● COMMENT

Having secured itself a dominant position in the Irish liquid milk market, and consolidated its toehold in the UK market in northern England, Waterford has positioned itself well for further rationalisation in the dairy industry on both sides of the Irish Sea. It has not diversified to the same extent as its peers in the Irish food sector though, making it more vulnerable to growing price pressures in the dairy products sector and in competing for its milk supplies. Its policy to amortise an accumulated I£85m in goodwill over 25 years will continue to act as a brake on earnings growth. Pre-tax profits of I£28m are realisable for 1994, giving an eps of 12p and a prospective p/e ratio of around 8. The market thus appears to have priced in the downside factors.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BLP Group	fin	1	-	nil	1	nil
Bridport-Gundry	int	1.25	May 27	1.5	-	2.5
British Fittings	fin	1.25	May 26	1	2	1.5
Caradon	fin	6.08†	June 3	5.9	8.91†	8.65
Gaskell	fin	2.75	July 4	2.75	4.25	4.25
Grampian Hldgs	fin	3.8	May 23	3.8	5.5	5.5
Great Southern	fin	8.2	June 10	7.4	12.2	11
Harrisons Cros	fin	5.4	July 4	5.4	9	9
Higgs & Hill	fin	1.5	June 8	1.5	2.5	2.5
Hogg Group	fin	2.5†	July 1	5	5.65	8.15
Johnston Press	fin	4.5†	May 8	4	7	6.25
Lec Refrig'n	fin	5	May 21	5	9	9
Mayflower Corp	fin	0.9†	May 20	0.85	1.35†	1.25
Meggitt	fin	2.63	July 1	2.53	3.93	3.78
Ocean Group	fin	9.62	June 1	9.62	14.33	14.33
Pressac	int	0.75	May 20	0.75	-	2.57
Princedale §	fin	0.25	May 31	nil	0.25	nil
Roskel	fin	3	July 1	3	4.3	4.3
Russell (Alex)	fin	1.25	May 19	nil	1.75	1
Senior Engineer	fin	2.1	June 3	1.95	3.36	3.15
Spirax-Sarco	fin	3.3	June 10	6.6	9.9	9.3
Tilbury Douglas	fin	22.5	July 1	22.5	33	33
Waterford Foods	fin	1.64‡	-	1.58	2.83	2.73
Wilson Connolly	fin	2.86	July 1	2.66	4.13	3.93

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence throughout.



Mayflower more than trebles to £5.38m

By Kevin Done, Motor Industry Correspondent

Mayflower Corporation, the specialist automotive engineering group, reported pre-tax profits more than tripled from £1.7m to £5.38m in the year to end-December.

Operating profits increased by 47 per cent to £5.24m, including £504,000 (nil) from acquisitions and £44,000 (£33,000 deficit) from discontinued operations.

Mayflower has grown rapidly since 1991 following the acquisition in that year of Motor Panels and the purchase last year of International Automotive Design (IAD).

The group is now established in both the UK and the US as an integrated design, engineering and production operation for truck cabs and low-volume specialist car bodies.

Group turnover jumped by 50 per cent to £102m (£67.8m). Sales from continuing operations rose by 16.4 per cent to £74.6m (£64.1m) and £26.1m was added through acquisitions.

Earnings per share more than doubled to 2.59p, and a final dividend of 0.9p is proposed raising the total for the year to 1.35p (1.25p).

IAD, which was acquired from the receiver, has been extensively restructured and achieved profits of £257,000 in the eight months from April on a turnover of £24m.

The IAD workforce worldwide has been reduced from about 1,000 to 650, including 200 contract staff.

The lossmaking IAD subsidiary in France has been sold, while in the UK the main IAD operation in Worthing, West Sussex, has been sold to Daewoo Motor, the South Korean car maker.

Daewoo paid about £1m for plant and equipment from IAD, which continues to hold project contracts with the new owner.

At home IAD has opened offices in Essex and Coventry, and has recently won new contracts from Ford and Saab.

Group turnover and pre-tax profits are expected to continue to rise strongly in the next couple of years as new contracts are brought into operation including:

- The supply of bodies for the Aston Martin DB7 luxury sports car to be launched this summer;
- The supply of bodies for the new MG sports car to be launched by the Rover group in the summer of 1995;
- The development and manufacture of cabs for a series of trucks for Ford in the US, which could be worth more than $300m (£205m) over a 15-year period.

The engineering and prototype programme for the MG sports car, code-named PR3, has been completed, and Motor Panels is currently installing the assembly facility. It is investing £24.2m in the project.

Mayflower is forecasting annual sales of £1.5m from the Aston Martin contract, £20m from the MG contract starting next year, and £14m from the Ford US truck contract.

Mr John Simpson, Mayflower's chief executive, said the group had "healthy order books" and could expect a period of "strong organic growth." It continued to look for acquisitions, he added.

Flotation puts £60m value on Fiscal Properties

By David Blackwell

Fiscal Properties, which invests in commercial buildings that are mainly let to the government, finalised its flotation yesterday, pricing the shares at 78p to produce a market capitalisation of £60.34m.

A combination of new ordinary shares and convertible unsecured loan stock is being issued.

A total of 15.4m new ordinary shares are being placed firm with institutions, with a further 5.13m placed subject to clawback to meet retail demand through intermediaries.

A total of £6.93m of convertible loan stock at 100p each will be similarly placed, with a further £2.31m subject to clawback.

After the listing there will be 43.8m ordinary shares and £26.2m in convertible loan stock in issue.

The group's venture capitalists – Montagu Private Equity, 3i and SO.PA.F of Italy – will hold about 49 per cent of the ordinary shares and 60 per cent of the convertibles. The three companies are not selling any shares.

Mr Terry Goddard, chairman and finance director, and Mr Gordon Bloor, chief executive and managing director, who founded the group in 1985, will own 4.4 per cent of the ordinaries and 4.7 per cent of the convertibles.

Mr Goddard is selling 27,000 ordinary shares and 240,000 convertibles.

The value of the group's portfolio has grown from £12.3m at the end of December 1991 to £52.9m at the end of January this year. Since then two further properties have been acquired valued at £7.68m.

Pro forma net assets per share are 84.3p.

Sponsor and broker to the issue is Paribas. Dealings are expected to begin on April 15.

Laporte disposals

Laporte, specialty chemicals company, is selling two of its smaller companies, Sterling Technology and Rushden Granulating Company for £5m in cash. The combined 1993 sales and operating profits for the two companies – acquired as part of the Evode purchase – were £6.9m and £700,000.

British Alcan loss jumps to £22.7m

By Kenneth Gooding, Mining Correspondent

Another 588 jobs were lost at British Alcan Aluminium and capital expenditure was cut to the bone last year as the company, a wholly owned subsidiary of Alcan of Canada, struggled with the worst known aluminium industry conditions.

The company's pre-tax loss jumped from £15.9m to £22.7m after another surge in reorganisation and rationalisation costs, up from £4.6m to £11.2m.

Nevertheless, British Alcan remained cash positive during the year "through careful management of working capital and limited capital expenditure," said Mr John Bridgeman, managing director. It repaid £18m of debt, despite re-instituting £6m cash contributions to the UK pension fund, after a three-year "holiday".

Mr Bridgeman added: "Some signs of recovery are now apparent in the UK economy and it is noticeable that many of our major customers are showing more confidence and more inclination to spend on capital goods. It remains to be seen whether these signs of recovery can be sustained."

However, since the year-end the serious world over-supply of primary aluminium had led Alcan to announce the temporary closure of 156,000 tonnes of smelting capacity, 18,000 tonnes of it at the three UK smelters.

British Alcan's workforce fell from 7,938 to 7,350 last year. Jobs went throughout the company but the biggest shake-out was at the Rogerstone rolling mill operations where 250 jobs went and reorganisation costs came to £6m. When the company was formed from the merger of British Aluminium and Alcan in 1982 it employed 14,000.

Capital expenditure, already at a rock-bottom £22.5m in 1992, was cut to £18.2m.

Turnover slipped from £756m to £748m and exports from the UK fell from £275m to £272m. Losses per share were 54p (42p).

Advertising upturn in final quarter behind 28% profits rise

Johnston Press makes £29m buy

By David Wighton

Johnston Press, the Edinburgh-based local newspaper group, is making its largest ever acquisition with the purchase of the family-owned Halifax Courier group for £29.4m.

The company also announced profits up by 28 per cent to a record £12.5m in 1993 helped by a significant upturn in advertising in the last quarter.

Mr Fred Johnston, chairman, said the acquisition was in line with the group's strategy of extending its geographical coverage by acquiring titles which are local market leaders.

He said the quality of the business was reflected in the "relatively full price". But he added that there was "a lot of mileage" for cost savings and that the acquisition would enhance the group's earnings from the start.

Johnston is paying a total of £29.1m for the trading activities, which made an operating profit of £1.66m (£1.55m) on turnover of £9.97m last year. It is also paying £5.4m for investments and surplus cash.

In addition to the Evening Courier in Halifax, the business has four small titles in West Yorkshire and three papers in the Isle of Man where it is also market leader.

Johnston shares added 2p to 667p yesterday, helped by the 1993 figures which showed earnings per share up 19 per cent to 27p (22.7p). A final dividend of 4.5p gives a total payment of 7p (6.25p).

The main newspaper division increased operating profits by 31.5 per cent to £9.1m helped by a full year from TR Beckett, the Sussex-based newspaper group acquired for £12m at the end of 1992.

Mr Johnston said that the south of England economy "still has a way to go" but that there has been a good if "patchy" recovery elsewhere. Advertising volumes increased by 6 per cent last year, with over 9 per cent growth in the second half.

He added: "1994 has started encouragingly with results in most of the group's companies exceeding budgets."

Strong cash generation resulted in year end net cash of more than £6m and although, on a pro forma basis, the Halifax acquisition would have left it with gearing of 31 per cent this should be down to 16 per cent when the deal is completed in June.

The consideration for Halifax will be satisfied by the issue of up to 2.5m new Johnston shares and the balance in cash.

● COMMENT

Halifax Courier is a rather better managed company than most of Johnston's recent targets. But last year's profits were depressed by a major investment in the Isle of Man and there is scope for cost-savings to bring its healthy margins up to the level of Johnston's best titles. Even Johnston's famously cautious chairman allowed himself to be encouraged by the recent upturn in advertising which should push group profits to £15m this year. But the shares are starting to run away. At 667p they are now trading on 21 times this year's earnings which is asking a lot even from Johnston.

Productivity gains boost Meggitt

By David Blackwell

Productivity gains and a commitment to new product development were behind a 10 per cent improvement in pre-tax profits at Meggitt, the Dorset-based engineer.

Profits for 1993 rose from £21.2m to £23.3m on turnover similarly ahead to £360m (£328m). The result was achieved after higher net interest payments of £3.24m (£908,000).

Mr Ken Coates, executive chairman, said the group had kept profits up through three years of recession. In addition, cash generation of £38.5m had helped to cut gearing from 48 per cent to 31 per cent.

The group had increased capital expenditure from £7.4m to £7.8m and research and development by £3m to £11m. Sales per employee were ahead 11 per cent to £55,000.

"When business comes back we'll be reaping our just rewards," said Mr Coates.

On prospects, he added that orders in the first quarter of this year had been 3 per cent ahead of the comparable period. However, he warned that the group's performance would be constrained by the lack of clear signs of improvement in the aerospace market and the European process industry.

The aerospace and controls divisions make up most of Meggitt's business. Aerospace operating profits edged ahead from £13.8m to £13.9m on turnover up from £121.7m to £132.6m, while controls profits fell from £6.25m to £5.22m on turnover of £117.5m, against £115.8m.

While the aerospace market continued to decline, the group had won new customers throughout the division. In the controls sector, profits were held back by the need to reorganise some Sunvic and Mobrey operations. Germany was likely to prove a difficult market this year.

The energy division doubled profits to £2.22m on turnover of £47.2m (£37m). The group had established its presence in east Asia, winning important orders in Vietnam, Indonesia, Japan and Korea.

Electronics profits rose from £4.37m to £6.95m on the back of greater volume with turnover improving to £61.6m (£49.1m).

Earnings per share grew to 7.1p (6.6p). A final dividend of 2.63p is proposed, taking the total for the year to 3.93p (3.78p).

● COMMENT

While Meggitt has shown its resilience to recession, it looks as though the current year will prove to be dull. The group has sharpened the management focus and is carrying out some sound restructuring. But it is all dressed up with nowhere to go. Its two main markets will be among the last to recover from recession. An improvement to £25m for earnings of 7.5p put it on an undemanding prospective multiple of 14, but the yield of almost 5 per cent could prove attractive.

Cowie in £18.9m vehicle leasing purchase

By Maggie Urry

T Cowie, the acquisitive motor group, is expanding its vehicle leasing activity by buying Commercial Union's business for £18.85m.

The deal will add 5,000 vehicles to Cowie Interleasing's fleet, making a total of 85,000. Cowie was already market leader.

Cowie is paying cash and not taking any debt with the business. The deal will increase its gearing by about 12 percentage points.

The Commercial Union business broke even after tax in 1993.

The acquisition follows Cowie's purchase last August of Commercial Union's corporate fleet management activity, for an undisclosed sum, and the 1991 purchase of Royal Bank of Scotland's loss-making contract hire business for £38m. That covered 5,700 vehicles.

The price being paid relates to the value of the vehicles, and will be finalised on completion today.

Cowie said it could assimilate the 5,000 vehicles without taking on many extra staff. The vehicles are mainly under contract to local authorities.

COMPANY NEWS: UK

■ Profits up at £24.2m ■ Acquisitions made in Germany and the US

Senior Engineering seeks £67m

By Andrew Bolger

Senior Engineering Group, the air-handling, tubular products and thermal engineering company, yesterday launched a £67.4m rights issue to finance investment in its fast-growing flexible tubes business and fund acquisitions in Germany and the US.

Senior also reported a sharp increase in underlying profitability last year, and forecast that although some European economies were still in recession, the group would have another satisfactory year.

The 1-for-4 rights issue of 60.2m new shares was priced at 115p. Senior's shares closed down 8½p at 133p.

The group is paying $15.3m (£10.2m) for Metal Bellows, a US maker of welded diaphragm metal bellows for the aerospace, semiconductor, medical and industrial markets.

Senior is also acquiring Christian Berghöfer, a German manufacturer of flexible hoses and expansion joints, for DM20.7m (£8.4m) from its private owners.

Mr Don McFarlane, chairman, said: "Berghöfer will promote the expansion of our flexible connectors business in Germany and eastern Europe, while Metal Bellows will complement Senior Flexonics' product range and will increase our market share in several important markets in the US."

Flexonics, which Senior bought for £28m in 1992, has a strong position in the US automotive market for flexible tubes and expansion joints, which are used to reduce exhaust vibration and cut emissions.

Senior said Flexonics had opportunities to increase sales to the automotive industry in the US and Europe, with a likely increase in the number of components supplied from 3.2m last year to 7.6m in 1995. The group plans to invest some £28m in the business over the next two years.

Following the purchases and the rights issue, Senior will have net assets of about £145m and net cash of about £16m.

The rights issue is underwritten by Schroders, with Hoare Govett and Albert E Sharp acting as brokers.

Under FRS 3, Senior's pre-tax profits in the year to December 31 increased from £6.4m to £24.2m, but the previous year's figure was depressed by £12.2m of losses arising from its withdrawal from the mining equipment industry and closure of its power contracting side.

Earnings rose to 7.14p (0.98p) per share under FRS 3, but the underlying earnings – minus exceptionals – emerged at 7.1p (6.26p). A final dividend of 2.1p gives a total of 3.36p (3.15p).

● **COMMENT**

Senior believes it has found a gem in Flexonics, and has taken advantage of its strong share price to finance a big wave of investment in the automotive side of that business, which is being driven by tougher environmental regulations. The simultaneously announced acquisitions offer a wider spread of activities in the US and a potential route into the crucial German automotive market. The shares, which have outperformed the market by 80 per cent since the beginning of 1992, are on a prospective multiple of 18.5. That 15 per cent premium to the market does not look unjustified, but the shares are unlikely to advance significantly until the market sees how well the rights proceeds are used.

Attack results in best defence

Tim Burt considers the future for Westland as part of GKN

Sir David Lees, chairman of GKN, is today expected to leave the engineering group's London headquarters and walk a few hundred yards past St James' Palace to the offices of his new subsidiary – Westland Group.

He will invite Mr Alan Jones, chairman of Westland, to join the GKN board and continue his plans to develop the company as one of Europe's leading helicopter manufacturers.

There is some uncertainty whether Mr Jones will accept, having waged a seven-week campaign against GKN's hostile takeover bid and hinted that some senior Westland managers would not want to work for a group dominated by automotive components and pallet hire business.

Sir David, however, yesterday indicated he was going to Westland's offices to praise Mr Jones, not to bury him.

Although he has criticised the Westland chairman for inflating Westland's order prospects and exaggerating potential profits, he now wants him to stay with the company and turn estimated orders for more than 150 helicopters into reality over the next six years.

Potential profits could be boosted by pay-outs from the Arab Organisation for Industrialisation, which was last year ordered to pay £385m in damages over cancelled orders.

Westland has already received £25m in compensation and GKN is keen to find out how much could be forthcoming. If the settlement results in a pay-out of more than £200m, along with the promise of goodwill orders from the Arab governments involved, Westland may have lost its independence too cheaply.

Sir David Lees: going to praise Westland's chairman not bury him

Tony Andrews

In his meeting with Mr Jones, Sir David is also expected to reiterate the industrial logic which GKN has touted from the start, namely the synergy between its defence business – manufacturing armoured vehicles – and helicopter production.

Pointing to changing patterns of warfare around the world, Sir David believes that regional conflicts such as in Bosnia or Somalia will increase demand for rapid-response vehicles, whether in the air or on the ground. Westland's directors will be urged to exploit that potential by stepping up production at the Yeovil plant.

The future, however, of all the Westland board is not secure. Mr Christopher Bunker, the group finance director, may find it hard to stay on following the arrival at Yeovil in the next few days of two senior GKN executives, who will want to go over the books.

Their attention will focus on Westland's profit forecasts for the next three years and how much they will enhance GKN's tax position. Arguably, it was the likely tax benefits to GKN which first prompted the bid and fuelled Sir David's determination to succeed.

Combining Westland's lucrative spares and overhaul business with its defence and engineering operations would enable GKN to increase the proportion of sales in the UK sales to 40 per cent.

In turn, the Yeovil-based group's pre-tax profits – up 22 per cent to £30.5m in the 12 months to October 1 last year – would enable GKN to recover advance corporation tax that it has written off in the past.

While GKN is confident that Westland's core helicopter business is vital to improving its own tax position, it is not so sure about the group's other divisions – notably Westland Technologies, the components business which has suffered from fewer aircraft orders and delays in government defence programmes.

Sir David winces at talk of rationalisation and restructuring. Having made a proposal and seemingly won consent, he wants to carry Westland over the threshold before deciding which members of tha extended family are disposable.

For the moment, he is content to savour the prospect of enlarging his defence division to a £570m sales a year business, which aims to dominate the European market for armoured vehicles and helicopters.

Lower provisions help Co-op Bank to £18m

By Alison Smith

A sharp rise in opereting profit and a continuing fall in bad debt provisions helped the Co-operative bank increase annual pre-tax profits by 82 per cent from £9.8m to £17.8m.

The period to January 8 1994 is the second year in which the Co-op bank has returned to profit after two years of losses.

Amid fierce competition for personal savings, the bank's retail deposits rose by 16 per cent to £1.9bn.

Provisions for bad and doubtful debts fell by 11 per cent to £38.4m (£43.4m).

Mr Terry Thomas, managing director, said the figures reflected improvements in the bank's loan portfolio in both the personal and corporate sectors.

They represented "substantial progress in the first full year since the worst of the recession in the early 1990s."

Mr Thomas said yesterday the investment programme would continue to enhance efficiency in dealing with customers, and highlighted its telephone banking service and the re-design of the distribution network.

Net interest income rose to £130m (£125m), while non-interest income rose more sharply, taking total operating income to £228m (£208m).

Staff costs grew by more than 10 per cent to £82m (£74.5m). Mr Thomas paid tribute to staff members and emphasised that the bank's success had been achieved without significant job losses.

Earnings per share advanced to 0.91p (0.1p).

The bank, which is wholly owned by the Co-operative Wholesale Society, underlined its ethical stance again yesterday, with the launch of a scheme using its credit cards to raise money for charities chosen by bank customers.

From April 1, 5p of every £100 spent on the bank's Visa cards will go to national charities and local good causes.

British Fittings returns to black with £1.4m

By Paul Cheeseright, Midlands Correspondent

British Fittings Group emerged from two years of losses with 1993 pre-tax profits of £1.4m.

There were restated losses of £3.4m in 1992 and £3.56m in 1991 when evidence of stock thefts and accounting errors came to light just before the finals were announced.

The West Midlands pipeline equipment, water products and non-ferrous metals distribution group has completed the installation of new financial controls.

"It is now a question of getting our market share and increasing it," said Mr Cecil Buckett, finance director.

After stripping out figures for the discontinued non-ferrous metals business, turnover on continuing operations was £69.3m compared with £71.1m. The fall came largely because low levels of capital expenditure hurt demand for water products.

More than 70 per cent of turnover came from pipeline equipment distribution, which was the only profitable division. It raised operating profits by 39 per cent.

Group operating profits on continuing operations were £2.45m, compared with £1.54m.

Over the last two years, British Fittings has reduced its non-ferrous metals activities and Mr Brian Stanton, the chief executive, said these operations were no longer a core business: "we will not build on it but we're not going to panic-sell it."

With market prospects this year remaining uncertain, the group expects to lift profits by winning greater market share through a widened base of materials suppliers and further geographical and product diversification.

Earnings per share were 3.19p (losses 13.59p).

The final dividend is 1.25p (1p) making 2p (1.5p) for the year.

Profits fall 50% after £2.98m exceptional charge and sports loss

Restructuring costs hit Grampian

By Tim Burt

Grampian Holdings, the Scottish mini-conglomerate, yesterday blamed heavy restructuring costs for a 50 per cent decline in pre-tax profits to £5.63m.

The Glasgow-based pharmaceutical, sporting goods, transport and retail group, said its results were hit by exceptional charges of £2.98m to cover redundancies and reorganisation costs and a £398,000 operating loss in its sporting business.

As part of the restructuring, the group has closed its pharmaceutical factory in Glasgow, relocated the division to Leyland in Lancashire and cut the workforce by 12 per cent to 440.

It made a further 42 workers redundant at Patrick International, its sporting goods subsidiary which closed down operations in Germany and made stock write-downs elsewhere.

Total closure and restructuring costs of £6.6m were offset by a £3.62m exceptional profit on the disposal of Grampian Woollen Mills, which was merged last year with the Edinburgh Woollen Mill.

Despite the problems, Grampian said an improved performance by the transport division, which saw profits increase 85 per cent to £2.7m, lifted profits on continuing group operations to £11.8m (£11.3m).

The increase was also underpinned by a £1.6m profit derived from its retained 25 per cent stake in Grampian Woollen Mills.

Mr David McGibbon, finance director, said group turnover had declined slightly to £137.1m (£137.3m) as the pharmaceutical business struggled to maintain sales during its restructuring.

"Some sales are bound to be lost when you're putting through a reorganisation of this size," he said.

The restructuring costs also forced the group to increase net borrowings from £28.6m to £32m, representing gearing of 74 per cent compared with 58 per cent last time.

Although exceptional items led to a 50 per cent decline in earnings per share to 7.35p (14.71p), the previous year's figure was distorted by a profit from the sale of Mitre, the sporting goods company.

Pre-exceptional earnings increased to 10.53p (7.18p).

An unchanged final dividend of 3.8p leaves the total payment for the year at 5.5p (same).

● **COMMENT**

Although the restructuring of the pharmaceutical division has only just been completed, Grampian has decided to take all the costs in 1993 in the hope that pain now will pay off with a recovery later. There ore, however, reservations about the strength of a balance sheet which is still labouring under heavy borrowings. Nevertheless, profits this year are expected to bounce back to around £11m, putting the shares on a forward multiple of 15. Although that is a discount to the market, there are some concerns that the slimmed-down businesses can generate the necessary cash to strengthen the balance sheet.

COMPANY NEWS: UK

Higgs & Hill back in black

By Andrew Taylor,
Construction Correspondent

After two years of losses, Higgs & Hill, the construction, property and housebuilding group, moved modestly back into the black in 1993 with a £1.23m pre-tax profit.

This compared with a £22.04m loss in 1992, restated in accordance with FRS 3, and a £16.7m loss in 1991.

After an abnormally high tax charge of £1.09m (£701,000 credit), reflecting the low proportion of UK profits available to offset ACT, earnings per share rose only to 0.3p compared with losses of 48.4p.

The company, however, is proposing a maintained final dividend of 1.5p making an unchanged total of 2.5p.

The biggest reason for the profits recovery was the absence of large land and property write-downs, as well as provisions against redundancy costs and losses on disposals which cost £22.02m in 1992.

Mr John Theakston, chief executive, said 1993 represented a turning point in the UK housing and commercial property markets, which had been in recession since the late 1980s.

Commercial property, following the sale of a 12 acre site in Southend, Essex to Waitrose for a superstore and a 75,000 sq ft office development at St Quentin-en-Yvelines in France, moved from a £14.29m loss to a £4m profit last year.

Mr Theakston said that UK institutional investors in property had begun to return to the domestic market enabling values to recover and improving development opportunities.

The UK housing market had also improved. The number of homes sold had risen from 262 to 332, making profits of £2.25m (£1.67m losses).

Contractlog however, remained difficult. Margins remained deeply depressed with too many companies chasing a shortage of work. An 11 per cent fall in group turnover to £262.2m (£296m) was mainly because of a fall in construction orders as the group became more selective about the quality of work it took on.

Construction losses were reduced from £2.92m to £2.08m on lower turnover of £212m (£251m).

● COMMENT

Profits, excluding the effect of write-downs and exceptional provisions, rose 37 per cent to £1.25m. The company has the good feel of a business that knows where it is going notwithstanding an extremely difficult UK market. Joint ventures with Berkeley Group and H&H's moves to increase its international order book are the right measures for a medium-sized contractor seeking to counter a steep downturn in its domestic market. Gearing may rise to 10 per cent this year to buy housing land, but hardly straining the balance sheet. Pre-tax profits of £2m this year and £6m in 1995 would put the stock on a prospective p/e of 14 two years out: probably high enough but buy on weakness, this is e good contractor.

Slimmer Tilbury achieves £21m

Tilbury Douglas, the construction group, announced pre-tax profits of £20.9m for last year, compared with a restated loss of £1.9m in 1992, writes Andrew Taylor.

The figures were flattered by profits on disposals and the impact of provisions which under FRS 3 were required to be writteo off previously-stated 1992 profits.

Tilbury said pre-tax profits excloding exceptional items would have fallen from £15m to £13.6m. The final dividend is again 22.5p, maintaining the total for the year at 33p.

Earnings per share after exceptionals rose to 46.2p compared with restated losses of 2p. Group turnover fell from £382m to £361m.

Mr Michael Bottjer, chief executive, said the decline was attributed mainly to the group's decision not to pursue lossmaking contracts, unlike some of its competitors.

He said last year's profits had been enhanced by a £7.3m surplus on the sale of its Douglas Concrete & Aggregates and Douglas Plant businesses.

Construction profits bad fallen from £13.2m to £7.6m on e reduced turnover £302m (£322m); in part because of the company's refusal to price work at unviable levels.

The value of the group's construction order book of £225m at the December 31 year end was 47 per cent higher than a year earlier, in spite of its pricing policy.

Its specialist piling and interior contracting operations, bowever, have continued to suffer, reflecting the downturn in the UK building industry.

Heavy electrical contracting and process engineering, which are seeking to expand overseas, produced satisfactory performances, while the construction equipment division increased pre-tax profits by 35 per cent to £1.64m.

Scottish housebuilding profits dipped from £4m to £3.78m as the number of homes sold declined from 353 to 278.

The group is withdrawing from its commercial property and English housebuilding businesses.

● COMMENT

Tilbury, with its emphasis on specialist contracting, continues to command above average margins in a highly competitive UK construction market. Its lack of housing exposure, in spite of a quality Scottish business, however, means that this is a late cycle recovery play. There is also a feeling that the group may be too cautious in using its strong cash balances of £14.9m at the year end. Pre-tax profits of £18m should more than cover the dividend, which is on a handsome yield 5.7 per cent. Tilbury has shown that it is one of the safest pairs of hands around, and the shares on this basis are a solid hold but the short-term outlook for profit recovery looks dull.

Wilson Connolly jumps to £28.2m

By Andrew Taylor,
Construction Correspondent

Pre-tax profits of Wilsoo (Connolly) Holdings, the housebuilder, having fallen by two-thirds since 1989, jumped by 68 per cent from £16.81m to £28.22m last year.

This compares with peak profits of £54m in 1989 when the group achieved sales of £193m. Profits in 1991 and 1992 were depressed by property and land write-downs of £2.02m and £5.49m respectively.

Turnover last year rose by 36 per cent to £275m (£201m) giving an operating margin of 10.3 per cent compared with 8.3 per cent in 1992 and a peak of almost 28 per cent in 1989.

Mr Lyn Wilson described last year's performance as outstanding in difficult market conditions. The final dividend is raised from 2.66p to 2.86p making a total for the year of 4.13p (3.93p) – a 5 per cent increase and the first rise since 1991.

Net debt, including land creditors, was equivalent to just 4 per cent of shareholders funds at end-December compared with 9 per cent a year earlier.

The number of homes sold by the group rose by a third from 2,880 to 3,840 at an average price of £54,500 (£53,000).

Housing profits also benefited from the absence of fresh provisions and rose from £15.2m to £22.5m.

Commercial property profits, following the completion of two turn-key office developments st Northampton and Oxford, also rose sharply from £547,000 to £4.68m.

Coostruction profits, reflecting very difficult trading in the UK, dipped from £1.09m to £1.01m on a slightly higher turnover of £37.49m (£36.17m).

● COMMENT

Wilson Connolly's shares have underperformed a UK housebuilding sector which has declined of late as concern has mounted over rising land costs and the possibility of more sluggish house sales and price rises should forthcoming tax increases knock buyers' confidence. The group, bowever, has net cash, excluding land creditors, and has a good reputation for making shrewd land purchases. It is a qoality builder although some, at this stage of the cycle, might prefer less of an emphasis on first time buyers. It looks a little cheap against some of its peers, therefore, on pre-tax profits of £34m putting the shares on e prospective p/e of 16 times for 1994 and 13 times £43m profits in 1995.

Annual General Meeting of Shareholders of "Telefónica de España, S. A."

The Board of Directors of "Telefónica de España, S. A.", at the meeting held in Madrid on March 23rd 1994 resolved, in accordance with the legislation in force, to CALL the Annual General Shareholders Meeting, to be held in Madrid (in the "Pabellón de Deportes de la Ciudad Deportiva del Real Madrid", Paseo de la Castellana num., 259) on April 14th 1994, at 12.00 noon, on first call, or on April 15th 1994 at the same time on second call, with the following Agenda:

I. Examination and approval, if appropiate, of the Annual Accounts (Balance Sheet, Profit and Loss Account and Annual Report) as well as the Management Report for "Telefónica de España, S. A.", and its Consolidated Group, and the Proposal for the Distribution of Profits corresponding to the fiscal year ending on December 31st 1993.
II. Approval, if appropiate, of the corporate activities conducted by the Board of Directors during 1993.
III. Ratification and reelection of Directors.
IV. Delegation of powers to the Board regarding registration and trading of securities issued by the Company.
V. Delegation of powers to formalize, register and execute the resolutions passed at the General Meeting of Shareholders and to formalize the necessary deposit of the Accounts in favour of the Chairman, the General Manager/Director and the General Secretary/Secretary of the Board of Directors.
VI. Reading and approval, where appropiate, of the Minutes of the General Meeting.

RIGHT TO INFORMATION

In accordance with law, the copies of the documents (Annual Accounts and Management Report, both individual and consolidated, as well as the Auditor's Report) to be submitted for approval at the Annual Shareholders Meeting will be placed at the shareholders' disposal.

MEETING AT THE SECOND NOTICE

If it is not possible to hold the meeting at the first notice, unless otherwise publicly announced, the Meeting will take place at the second notice at the time, place and date mentioned above.

Madrid, March 26th 1994

The Secretary of the Board of Directors, Heliodoro Alcaraz y García de la Barrera

Telefónica

FIDELITY INTERNATIONAL FUND

Société d'Investissement à Capital Variable
Kansallis House
Place de l'Etoile, B.P. 2174
L-1021 Luxembourg
Luxembourg B 24 054

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Shareholders of Fidelity International Fund (the "Fund") are hereby convened to an Extraordinary General Meeting of shareholders to be held on April 15, 1994 at the registered office of the Fund, Kansallis House, Place de l'Etoile, in Luxembourg at 12.00 am, with the following:

AGENDA

To approve the merger of the Fund into Fidelity Funds, a "Société d'Investissement à Capital Variable" under the laws of Luxembourg having its registered office at Kansallis House, Place de l'Etoile, Luxembourg.

Upon hearing

(i) the report of the Board of directors explaining and justifying the merger proposal published in the Memorial, Recueil Special of Luxembourg on November 25, 1993, no 561.
(ii) *The audit report prescribed by article 266 of the law of 10th August 1915 regarding* commercial companies prepared by Conpers & Lybrand, Luxembourg, and subject to approval of the said merger proposal by the shareholders meeting of Fidelity Fund, if any.

1. to approve such merger proposals;
2. to approve the allocation of shares in Fidelity Funds - International Fund in exchange for the contribution of all assets and liabilities of the Corporation to Fidelity Funds - International Fund, a fund set up within Fidelity Funds at the ratio determined on the effective date of the merger on the basis of the respective net asset values per share;
3. to state that upon the issue of the shares of the class International Fund in Fidelity Funds to the shareholders of Fidelity International Fund, all the shares of Fidelity International Fund in issue shall be cancelled and Fidelity International Fund shall be dissolved;
4. to approve that all steps shall be taken by the Board of directors of the Corporadon for the implementation of the merger proposals.

Resolutions on the agenda of the Extraordinary General Meeting will require a quorum of at least 50% of the outstanding shares and will be adopted if voted by two thirds (2/3) of the shares present or represented.

The following documents shall be at the disposal of the shareholders for inspection and for copies free of charge at the registered office of the Corporation:

1. the Merger Proposals and the related Merger Agreement.
2. the annual reports of the Corporation and Fidelity Funds for their respective last three financial years.
3. the semi-annual report of the Corporation for the period ended May 31, 1993.
4. interim financial statements as at October 31, 1993 for the Corporadon,
5. the reports of the Board of directors of the Corporation and of Fidelity Funds,
6. the report of Coopers & Lybrand relating to the merger proposal.

In order to take part to this General Meedng, owners of bearer shares will arrange for evidence of the deposit of their shares to be sent to:

Kredietbank Luxembourgeoise S.A.
43, Boulevard Royal
L-2955 Luxembourg

On behalf of
The Board of Directors

Fidelity Investments™

COMPANY NEWS: UK

Stakis on the acquisition trail

Stakis, the hotels and casinos group, yesterday capitalised on its recent recovery by announcing a £67m rights issue to fund its acquisition strategy, writes James Buxton.

It also announced the purchase of two hotels for a total of £15.5m and disclosed that it is close to concluding the purchase of a further hotel and a casino for a total of £13.1m.

The rights issue will reduce Stakis's gearing from 46 per cent to 20 per cent. Sir Lewis Robertson, chairman, said it would enable the company to take advantage of opportunities in the hotel and casino sectors "quickly and efficiently".

The Glasgow-based company which came close to bankruptcy in 1991 because of ill-managed expansion, has reorganised its banking arrangements, cutting the number of its banks from nine to four, leaving Barclays, Royal Bank of Scotland, Bank of Scotland and Clydesdale.

It has obtained a new £30m facility over five years at a lower rate above Libor than previously, on top of the existing facility of about £140m.

Drawing on this facility Stakis has bought the 132-room Coburg Hotel in the Bayswater Road, London, for £9.5m. The three star hotel was in receivership after a £3m refurbishment in 1990 and was put on the market by KPMG, the receiver.

The company has also bought the 108-room Airport Ambassador Hotel at Norwich airport for £6m. The four star privately owned hotel was making annual profits of about £1m.

The rights issue, which is fully underwritten by Schroders and Noble Grossart, involves the issue of 95.5m new shares on a 1-for-4 basis at 72p each. The shares closed down 1p at 84p yesterday. Latest time for acceptance of the new shares is April 30.

Stakis forecast a total dividend for the year to October 1994 of not less than 1.5p, against 1p last time.

It said it was too early to forecast the results for the full year, but Sir Lewis said there had been "an encouraging start with some, if limited, signs of recovery in demand in the hotel division and stable, satisfactory trading in the casino division."

Picking over tasty opportunities

James Buxton on Stakis's plans to exploit weakness in its market

Sir Lewis Robertson reflected this week that while illness in a company was undesirable, Stakis had succeeded in timing its period of infirmity rather well.

The pruning of the company under his chairmanship since 1991 had "greatly refreshed" it, he said. It was now unencumbered by problems from the past and confronted a market which offered tasty opportunities for a discriminating purchaser, caused by the difficulties of other companies.

Now this medium-sized hotel and casino company is securing sufficient means to exploit these chances.

Sir Lewis, a specialist in corporate rescues, became chairman when the company slid into trouble under Mr Andros Stakis, son of its Cypriot-born founder Sir Reo.

"Everyone knew what needed to be done to save the company," an executive who has worked under both regimes said recently. "It just needed someone to take the decisions."

The company shed its fringe operations, refining itself to hotels, casinos and its promising but expensive nursing homes operation.

Sir Lewis brought in Mr David Michels as chief executive from Hilton International. Stakis emerged from convalescence in January 1993 when it disposed of its nursing homes, writing off £48m and raising £28m in a rights issue.

Tony Andrews

Sir Lewis Robertson: company 'greatly refreshed' by pruning

Mr Michels tightened the management of what he says was basically a sound business operating a chain of middle ranking hotels and casinos (most of them outside London), which enjoyed strong staff loyalty and well chosen sites.

Better control of costs and more skilful pricing were more influential last year in raising room occupancy rates and generating pre-tax profits of £10.4m than the slight upturn in the UK economy.

Last year the company began to strike out again, buying a hotel in York for £5m, acquiring three casinos in the Midlands for £10.5m, and starting building work on airport hotel in Edinburgh.

The City has been impressed by Mr Michels' mastery of the business, and has increasingly urged Stakis to take advantage of the opportunities created by the weakness of other groups, hence the rights issue.

Stakis has already rejected the hotels being disposed of by Queens Moat Houses, but hopes better properties may become available.

It has ended negotiations with Aer Lingus on the possible purchase of its Copthorne chain. But Forte is also expected to make strategic disposals and Hilton International could also put properties on the market.

"The market had been expecting us to make a single purchase of a chain or block of hotels," says Mr Michels. "But you can't do that in this market: the seller always parcels up the ones you want to buy with about 30 per cent that you don't want, and in this market you can't get rid of that 30 per cent."

For this reason, Stakis prefers to cherry pick. "It's more profitable and safer."

However, the company stresses that it will also examine carefully the acquisition of larger portfolios of hotels "if the profiles of the units suitable and the terms are attractive." The gronp expects to buy about six properties this year.

"What we bring to the party is a style of management and local autonomy that has had a positive effect on our returns elsewhere," says Sir Lewis. "We also bring a strong marketing input and a strong IT input." The acquisitions Stakis made last year did not "add a single body to our head office payroll," says Mr Michels.

The stock market was not taken aback by Stakis's capital raising announcement. The shares fell by 1p to 84p compared with the rights price of 72p.

Analysts still expect pre-tax profits of £17.5m for this year, with earnings of 4.2p, which puts Stakis on a prospective p/e of 19.5.

Mt Edon withdraws bid for Burmine

By Kenneth Gooding, Mining Correspondent

The long-delayed, three-way merger involving Europa Minerals, a UK mining finance house, and two Australian groups with which it already has close associations – Burmine and Austmin Gold – is set to go ahead today. This follows the withdrawal yesterday of rival bidder for Burmine, Mount Edon, another Australian gold company.

Burmine and Mount Edon have called an end to the litigation which has held up the merger, first mooted in July last year. Each side will bear its own costs but Mount Edon has agreed to pay A$125,000 (£61,576) to Burmine and its managing director Mr Guido Staltari.

During the battle Mount Edon sold its 19.9 per cent stake in Europa and directors said yesterday that its 22.6 per cent shareholding in Burmine had now also been sold – to a group of Australian institutional investors.

Total net profit for Edon on the two disposals was A$3m (£1.4m). Mr Tony Brennan, Mount Edon's managing director, said the decision to sell the Burmine holding was made, "when it became clear that the merging of Burmine's gold assets with Mount Edon's would only be achievable after still further legal actions and at a cost which would not have been in the interest of Mount Edon's shareholders."

Sir David Hardy, chairman of both Europa and Burmine, said he was delighted that Mount Edon had conceded defeat. He said that, after lawyers signed the final agreements between Mount Edon and Burmine in Melbourne today, the Burmine offers for Europa, valuing the UK group at about £15m, and Austmin would be declared unconditional. This would lead to Europa's London Stock Exchange quotation being removed.

Sir David indicated that the delay caused by litigation had not been wasted and that the enlarged Burmine group expected quickly to make one or two mining acquisitions.

NEWS DIGEST

Moorfield Estates £24m buy

Moorfield Estates is acquiring a property portfolio for £24m, financed partly by a net £12.2m placing and open offer, writes Vanessa Houlder.

The company also announced a reduction in 1993 pre-tax losses from £1.98m to £494,000. Net asset value increased to 44p per share at the period end, compared with 39p last September.

The company is buying six retail, industrial and office properties, with a current rental income of £1.93m, from Mobax. The deal will leave Moorfield Estates with gross property assets of £62m and reduced gearing of 133 per cent.

Beeson Gregory, the company's brokers, are placing 33.62m new shares at 38p, with shareholders being able to take part in the open offer on a 1-for-1 basis. The shares were unchanged at 43p.

The balance of the acquisition price will be financed by a new loan facility and by existing resources.

The company plans to seek a full listing in the near future.

Lossee per share fell from 18.3p to 2.9p. No dividend has been recommended for 1993, but a 1p payment is forecast for 1994.

Bridport-Gundry

Bridport-Gundry reported halved pre-tax losses of £220,000 for the six months to December 31, against £439,000.

Mr David Sebire, chairman, said that although there was no discernable improvement in its markets, there should be satisfactory profits in the second half, as a result of the lack of one-off costs and progress on improving the company's performance.

Turnover for the company, which has interests in the manufacture of medical aviation and defence, sports and industrial products, was £13.7m (£12.9m) of which discontinued activities contributed £856,000 (£966,000).

Operating profits were £86,000 (£120,000 losses) after accounting for one-off reorganisation costs of £245,000. There was a further loss of £100,000 relating to the sale of the Irish fishing business.

Losses per share came out at 1.22p (4.67p) and the interim dividend is 1.25p (1.5p).

Roskel

Roskel, the suspended ceilings contractor, partitioning and ceilings distribution gronp, reduced its pre-tax loss to £699,000 in 1993, against a £1.2m deficit previously, restated under FRS 3.

Sales fell by 3 per cent to £46.3m (£47.5m) but gross profit increased to £11.3m (£11m). Share of the loss of associated companies increased to £177,000 (£54,000).

There was a £1.71m provision related to the sale in October of Access Rental, the loss-making plant hire arm.

An unchanged final dividend of 3p makes a same-again total of 4.3p. On a per share basis the deficit was 6.36p (5.46p).

Thorn EMI

Thorn EMI has sold its Systron Donner Safety Systems division to Whittaker of Los Angeles for $12.75m (£8.7m) cash.

In addition, it has received $750,000 in cash as prepayment of rent on a three-year lease of the safety division's facility in Concord, California.

The safety systems division designs and makes aircraft engine fire and overheat detection systems. Thorn will invest the proceeds in its continuing businesses.

Princedale

A strong contribution from its newly-formed industrial division helped Princedale Group report pre-tax profits of £740,000 for the 15 months to end-December, against £254,000 for the preceding 12 months.

Until midway through 1993, Princedale – which has a USM quote – was a specialised marketing services consultancy. However, in June it formed the new division with the acquisition from Hillsdown Holdings of two plastics manufacturers and a commercial vehicle contract hire business.

Group turnover for the 15 months totalled £26m, against £12.8m previously. Of this, acquisitions were responsible for some £13.5m. At the operating level the new division boosted profits by £608,000 to £855,000, compared with £457,000 last time.

Mr Stephen Bennett, chairman, said that after a difficult start the marketing services side had shown improvement in the latter part of the year.

Earnings per share emerged at 1.9p (1p) and the company is returning to the dividend list with a proposed final of 0.25p. The last dividend was paid in 1988.

The shares closed down 1p at 26p.

BLP

A buoyant performance from its North American Woodtape edgebanding division helped BLP Group, the USM-quoted wood laminates and veneer company, to swing round from a pre-tax loss of £605,000 to a £2.38m profit in 1993.

The profit included exceptional credits of £1.91m (£202,000 debits) of which £1.54m related to a write-back of a provisioo against a loan to the ESOP trust. A further £368,000 profit related to the sale of the London site and subsequent rationalisation and reorganisation of the UK business.

In view of the improvement, BLP is restoring the dividend with a small final payment of 1p. Mr Malcolm Cohen, chairman, said this was "intended to be a reflection of our cautious optimism for the future prospects of the group."

Turnover in 1993 increased by 21 per cent to £27.9m. Earnings per share including exceptional items were 28.2p (15.3p losses), while excluding these, losses were 0.6p (12.3p).

NB Smaller Cos

NB Smaller Companies Trust increased net asset value per share by 31 per cent from 118p to 154.5p in the 12 months to February 28.

Mr Lawrence Tindale, chairman, said it had been "a vintage year for smaller companies, reversing four years of under-performance."

Groes revenue came to £1.47m (£1.54m) but borrowing costs fell to £31,000 (£157,000). Management expenses took £128,000 (£106,000) leaving pre-tax revenue of £1.31m (£1.27m).

The final dividend of 2.63p makes a total of 3.57p (3.45p) for the year. Earnings came through at 3.79p (3.53p).

Cardiff Automobile Receivables Securitisation (UK) plc
£328 million Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 29th March, 1994 to 29th June, 1994 the Notes will carry interest at the rate of 5.61719 per cent per annum.
Interest payable on 29th June, 1994 will amount to £141.58 on each £10,000 Note.

West Merchant Bank Limited
Agent Bank

SLIGOS

RESULTS IN LINE WITH FORECAST

The Board of Directors of SLIGOS, in its meeting of March 21, 1994, reported the following key finaocial results for 1993:

FF millions	1993	1992	Change
Consolidated revenues	3,815	3,644	+4.7%
Operating income	299.3	301.9	-0.9%
Consolidated net income	171.8	189.4	-9.3%
Profitability	4.5%	5.2%	
Net income after minority interests	160.6	172.8	-7.1%
Cash flow	395.7	376.2	+5.2%

The rise in consolidated revenuee is due almost entirely to the integratioo of the MARBEN Group as of July 1, 1993. At comparable structures and exchange rates, *consolidated revenues increase very slightly by 0.4%.* The net margin amounts to 4.5%, as forecast.

As the General Meeting, the Board will propose a net dividend of FF 9.00 per share, indeotical to 1992, the number of ebares having increased from 4,850,124 to 5,304,031.

As iodicated previously, the Board has approved Gérard Bauvin's proposal to appoiot Henri Pascaud Chairman and Chief Executive of the Group.

Gérard Bauvin has been named Honorary Chairman of SLIGOS, and remains Chairman of CLIO.

AN IMPORTANT NOTICE TO HOLDERS OF WARRANTS ISSUED BY AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

(A.C.N. 005 357 522)("ANZ")

relating to fully paid ordinary shares of $A0.50 each in

COLES MYER LTD

(A.C.N. 004 089 936)

ANZ Nominees Limited (A.C.N. 005 357 568) as Warrant Agent, HEREBY NOTIFIES Holders of the above Warrants that the Exercise Period for the above Warrants ends on September 26, 1994 and the Expiry Date for the Warrants is September 30, 1994.

For each 3,000 Warrants submitted for exercise, the Holder is currently entitled to receive 4,500 Shares in Coles Myer Ltd., and at ANZ's option, a further 2,250 Shares or the cash equivalent of the Market Value of 2,250 Shares as at the Exercise Date.

In accordance with Condition 1.2(b) of the Conditions of the Warrants, ANZ has elected that the Share alternative in Condition 1.2(a)(i) of the Conditions will apply for all Warrants exercised during the six months immediately prior to the expiry date. Therefore, for each 3,000 Warrants exercised by a holder during that period, the Holder will receive in aggregate, 6750 Shares in Coles Myer Ltd (namely 4,500 Shares for the first 2,000 Warrants exercised and an additional 2,250 Shares for the other 1,000 Warrants).

The Exercise Price of $A8.88 per Warrant is unchanged.

Capitalised terms in this notice have the same meaning as in the Conditions of the Warrants. Holders of Warrants should refer to the Conditions for further details of applicable terms.

Benefits of streamlined management lift Ocean

By David Blackwell

The benefits of streamlining the management structure and the dollar exchange rate helped Ocean Group, the freight, environmental and marine services combine, to achieve pre-tax profits of £44.1m for 1993.

This was sharply ahead of the previous year's £16m, struck after a £16m loss on the Panocean disposal and a charge of £8.4m for the management r structuring.

The latest figure represents a 9 per cent rise on 1992's underlying profits of £40.4m. Gronp turnover rose from £875m to £964m, including £10.7m from discontinued operations.

Mr Nicholas Barber, chief executive, said the management changes had contributed about £5m to profits, and movements in the exchange rate a further £4m.

He described the markets for most of the group's services as tough. "In these conditions the growth in our results was encouraging," he said.

Operating profits from the freight and distribution division, which operates on fine margins, eased from £15.1m to £14.7m on turnover ahead from £644m to £748m. The profits fall was mainly due to Hull Blyth, which was seriously affected by the war in Angola.

Profits at MSAS, the air freight brokerage company, were 15 per cent ahead on exchange gains and the benefits of a new computer system. Large new clients included Eastman Kodak.

Trevor Humphries

Nicholas Barber: tough markets for most of group's services

The marine services division, which contributes the bulk of profits, also benefited from exchange rates which countered lower oil prices. They rose by 25 per cent from £24.1m to £30.1m on turnover of £132m (£122m).

The group succeeded in moving its oil exploration vessels away from the depressed North Sea to areas of strength in west Africa and south-east Asia.

Profits from environmental services rose from £4m to £4.4m on turnover of £70.5m (£65.6m). The UK domestic waste business had a good year.

Earnings per share were up to 20.3p (1.4p). An unchanged final dividend of 9.62p is proposed giving an unchanged total for the year of 14.33p.

● **COMMENT**

Ocean has been running hard to stand still. The benefits from the restructuring and exchange rate movements have saved it from a flat year or worse. Most of the profits come from the marine services area, where low prices are curbing oil exploration budgets. Overall there appears to be nothing to get excited about from the rather mixed bag of activities. However, there is a further £3m benefit to come from the restructuring, and the balance sheet is strong, with gearing down from 35 per cent to 17 per cent. A yield of 6.6 per cent makes the shares worth holding.

Pressac advances 10.5%

By Paul Cheeseright, Midlands Correspondent

Pressac Holdings, Nottingham-based electro-mechanical engineering group which specialises in circuit board manufacture, lifted interim profits by 10.5 per cent and anticipated "a tangible increase in sales" during the second half.

Pre-tax profits for the six months to January 31 increased from £619,000 to £684,000, on turnover up slightly to £16.3m, compared with £15.9m.

The group has been in a holding pattern in recent months as weak demand from continental Europe has offset growth in the US and the fragile recovery of the UK. This prevented Pressac from gaining full immediate benefit from its heavy investment in automotive components.

Bnt the introduction of new products, not least circuit boards for heating wing mirrors, eased pressure on margins. Operating profits rose from £842,000 to £912,000.

Component sales to the automotive industry rose by 15 per cent during the first half and new contracts won in the US come on stream this month. In Europe there is some hope that depletions of production schedules in the first half will be restored in the second.

Delays in production schedules meant a build-up of stocks, which in turn had affected gearing, raising it by the end of the first half to 51 per cent. Mr Geoff White, the chief executive, said that by the year-end gearing should be back to where it started the year – 41 per cent.

First-half earnings per share were 1.71p (1.55p) and the interim dividend is maintained at 0.75p. Total payments for 1992-93 were 2.57p.

Watson & Philip pays £9.2m for convenience stores

By Gary Evans

Watson & Philip, the retail and wholesale food group, is further expanding its convenience store business with the £9.2m acquisitions of Midlands Convenience Stores and Convenience Stores West.

The company also announced a £10.7m open offer and placing at 357p per share.

Under the open offer, ordinary shareholders can apply for up to 3m new ordinary shares, on a 1-for-13 basis. The shares closed 5p lower at 379p yesterday.

The £7.7m consideration for Midlands Convenience will be met by the allotment of 460,349 new ordinary shares, a £500,000 cash payment in respect of interest on shareholders' loans and 1.54m new ordinary shares, which are being offered to group shareholders as part of the open offer to raise £5.5m for the vendors.

W&P is also issuing 1.46m additional new shares for cash to finance the £1.5m consideration for Convenience Stores West and the cash element for Midlands Convenience. In addition, the £5.2m cash placing will repay the external borrowings of the two acquisitions – currently £2.6m – and finance the expenses of the purchases.

Midlands Convenience operates 33 stores – of which 9 are on petrol station sites – in the west Midlands. Convenience Stores West operates 13 stores in the south of England.

Both companies – with turnover totalling £27m – currently operate under licence from one of W&P's subsidiaries, and will increase the number of convenience stores owned by the group to 289.

W&P has an objective of opening 50 new stores this year, which will be financed from its own resources.

The acquisitions are in addition to this expansion and accordingly, the group is using its shares to finance the acquisitions.

The open offer has been underwritten by Flemings and brokers to the placing are SG Warburg Securities.

Co-investment scheme to oversee MBOs and buy-ins over £10m

3i and institutions in £200m link

By Richard Gourlay

3i, the UK's largest venture capital group, yesterday announced a fundamental change in the way it invests in management buy-outs that will involve it for the first time in managing funds provided by UK institutions.

In future all of 3i's investments in management buy-outs and buy-ins larger than £10m will be made alongside five blue chip UK institutions.

The co-investment scheme is likely to raise £100m from the institutions, a sum which 3i will match, giving it an initial £200m fund.

3i has a policy of not taking controlling stakes in its investments and consequently has passed £250m worth of deals to other venture capital companies by way of syndications over the past 10 years.

The new scheme will allow 3i to retain a greater amount of deals for its own benefit and will increase security of supply of capital for the larger deals.

The move follows the group's launch of an Ecu300m (£227m) European private equity fund last month and signals its increased desire to manage funds for other institutions and not just investments it makes from its own balance sheet.

The move could also have implications for other venture capital companies trying to raise new funds but facing growing resistance from institutions unwilling to pay large management fees.

The institutions will pay no management fees to 3i. Instead 3i says it will "share in the performance" of the investments it makes with the institutions, with the greatest part of that remuneration arising when the investment either floats or is sold.

3i has also undertaken to continue managing any investments still within the portfolio after 10 years, the time at which most funds would hand responsibility and direct share ownership to the subscribers.

Mr Rupert Wiles, 3i director, said that had the co-investment scheme been in place over the last 10-year period, 3i would probably have passed deals worth only £100m to other venture capital companies.

"I suspect we will still provide more than we receive in the large management buy-out market, but it will be much closer to parity," he said.

3i, which is seeking a flotation later this year, has led 35 MBO's of more than £10m in the four years to the end of 1993.

3i said yesterday its institutional partners in the 3i 94 Large Management Buy-out Plan had declined to be named.

It is likely to raise further funds in a similar manner.

Virtuality incurs £365,000 deficit

By David Wighton

Virtuality Group, the designer and manufacturer of virtual reality computer games which floated in October, is planning to treble its development spending this year to take advantage of the potential home market.

Mr Jon Waldern, managing director, warned that the increased investment would mean continued losses for the company, which yesterday announced a pre-tax loss of £365,000 for the year to end-December.

Mr Waldern said that the next generation of home computer games machines, which would be able to run virtual reality software, were being developed more quickly than expected and were now forecast to reach the market by the beginning of next year.

Virtuality is negotiating potential partnerships with the main home games machine manufacturers, which include Nintendo, Sega and Sony.

Virtuslity has 13 games, developed for its own arcade-style machines, which could be transferred to the new home computers. Mr Waldern said there were also opportunities to license Virtuality's technology for use in non-entertainment applications.

Valued at nearly £85m on the stock market, Virtuality increased its sales to £5.4m (£5.25m) last year, representing growth of 50 per cent excluding a one-off order in 1992.

In January, it launched its second generation machines, which incorporate better graphics and lighter headsets. They are also 30 per cent cheaper at about £20,000 each.

Mr Waldern said the reaction to the new products had exceeded expectations, with sales so far up 50 per cent on last year.

Development expenditure jumped from £505,000 to £1.23m last year, turning a £217,000 profit into a £365,000 loss. In its flotation prospectus Virtuality forecast a loss of £400,000 and said it would not pay dividends "during the initial period of the company's growth".

Although development spending may rise by another £2m in 1994, the company had year-end cash balances of £7.47m, which it said was sufficient for its current needs.

In response to interest from American investors, Virtuality has arranged for its shares to be traded on the US Nasdaq market in the form of American Depositary Receipts from April 5. "It should increase understanding of our business in the US, which is our largest market," said Mr Waldern.

Virtuality shares wers unchanged at 324p, almost double their placing price of 170p.

Rationalisation helps Gt Southern rise 19%

By Tim Burt

Tight coet controls and rationalisation at Great Southern Group helped the funeral service operator to lift profits last year by 19 per cent.

Despite property write-downs as part of its rationalisation programme, pre-tax profits rose to £6.2m in 1993, against £5.2m restated under FRS 3.

Turnover rose from £29.6m to £32.7m.

Mr James Smillie, chairman, said the profits improvement reflected a strong commitment to cost controls.

A 4 per rise in mortality rates had reversed falling trends – particularly in London and the north.

Of the three divisions, retail funeral services continued to dominate – with profits up 15 per cent at £4.83m.

This was offset slightly by a £60,000 loss on the disposal of three properties, while a £475,000 provision was also made for falling values on four further sites.

Nevertheless, group operating profits rose to £7.13m (£6.35m) following improved results by the crematoria division and pre-arranged funeral services.

Mr Eric Spencer, chief executive, said sales had been held back by the group's decision not to increase funeral prices.

Cremation costs, however, were subject to an average 10 per cent surcharge to cover environmental improvements at crematoria, which must be completed by 1997.

Earnings increased by 27 per cent to 30.4p (24p) basic.

The 8.2p (7.4p) final dividend lifts the total to 12.2p (11p).

PUBLIC WORKS LOAN BOARD RATES

Effective March 28

	Quota loans*		
Years	EPT†	ANN††	maturity§
1			5⅝
Over 1 up to 2	5⅝	5¾	6⅛
Over 2 up to 3	6¼	6⅜	7
Over 3 up to 4	6¾	6⅝	7⅛
Over 4 up to 5	7	7	7⅜
Over 5 up to 6	7⅛	7¼	8
Over 6 up to 7	7⅜	7⅜	8⅛
Over 7 up to 8	7½	7⅝	8¼
Over 8 up to 9	7⅝	7¾	8⅜
Over 9 up to 10	7¾	7⅞	8½
Over 10 up to 15	8¼	8½	8½
Over 15 up to 25	8½	8½	8⅝
Over 25	8½	8⅝	8⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 31.03.94: Pool purchase price	Final Prices for Trading on 03.03.94: Pool purchase price	Pool selling price
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

COMMODITIES AND AGRICULTURE

Technical selling wave batters copper market

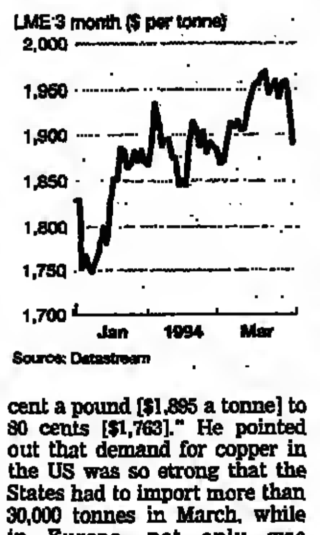
By Kenneth Gooding, Mining Correspondent

Copper prices tumbled yesterday under the weight of computer-driven technical selling in New York and operators taking profits before Easter in London. Having started the day at $1,940 a tonne, the three-month price crashed through two technical support levels – at $1,920 and $1,900 – to close in London at $1,890.25, down $46.25 and its lowest for four weeks.

Nearly all big copper consumers and merchants were waiting for this correction, suggested Mr Ted Arnold, metals specialist at the Merrill Lynch financial services group. "They were hoping the market would cool down a bit during the summer and were anxiously waiting to buy any and all price dips down from 86 cent a pound [$1,895 a tonne] to 80 cents [$1,763]." He pointed out that demand for copper in the US was so strong that the States had to import more than 30,000 tonnes in March, while in Europe, not only was demand picking up, but supply was becoming "something of a problem".

Copper

LME 3 month ($ per tonne)



Source: Datastream

Ha thought copper would not go much hetow 80 cents a pound in 1994 and should be back at 95 cents by the year-end.

Mr Wiktor Bielski at Bain & Company, part of the Deutsche Bank group, was even more bullish. He suggested that copper supplies were tight, as a 120,000-tonne fall in glohal stocks in the past three months indicated, while demand in the US was roaring ahead. He forecast copper would be back at $1 a pound ($2,204 a tonne) by the end of 1998.

He said yesterday's fall in London had been triggered because speculators were not able to force the price upwards through technical resistance at $1,950 a tonne and decided to take some profit instead.

Traders call for VAT changes

By Deborah Hargreaves

Grain and soft commodities traders are lobbying the European Commission for the amendment of proposals put forward for excluding commodity transactions from the levy of value added tax.

The commission drafted proposals to try to remove uncertainty caused in the commodities trade over complex VAT rules.

In spite of single market regulations that came into force at the beginning of last year exempting from VAT sales of goods between registered traders in each member country, commodity transactions were still subject to VAT levies in a number of EU countries.

Some member countries were applying VAT to the "paper" transactions so prevalent in the commodities trade. This often involves a series of sales and purchases without physical delivery taking place.

The commission is proposing that the sale of commodities located in a so-called "fiscal" warehouse will be able to benefit from VAT suspension until the goods are removed from the warehouse. But the commission specifies the commodities must be placed in a separate huilding.

Commodity traders object to the commission's suggestion as shipments of grain or rice, for example, may be sold while on board ship or on storage at a port. Taking the cargo out of the ship and placing it in a special silo so that it can avoid VAT on subsequent transactions would be uneconomic as the cost would be more than the VAT saved.

UK grain traders are hoping to organise a special conference to outline the problems involved. The commission's proposal would hava to be passed by EU finance ministers which could take about six months.

MARKET REPORT

Swiss buying lifts platinum to 7-month high

Swiss buying boosted the PLATINUM price yesterday as other precious metals languished.

After a quiet start the white metal moved up to $409.50 a troy ounce at London's afternoon fix and then gained another $3.50 to reach the highest level since last August. Swiss dealers, who had "got out of their longs" earlier in the week, "came back in on the lows", one trader said.

Meanwhile GOLD closed just 55 cents up and SILVER shed another 7 cents.

Compiled from Reuter

Mr Attavar's petunias blaze biotechnology trail

India is hoping genetically-engineered plants will yield a rich export harvest, writes Stefan Wagstyl

In a laboratory in Bangalore, in south India, a researcher holds a dish with three small brown leaves sprouting from a sponge-like mat. It is a petunia, he says, the first fruits of India's commercial genetic engineering industry.

The petunia is growing in a light-filled, dust-free room as clean as a hospital operating theatre inside the laboratories of Indo-American Hyhrld Seeds, a producer of seeds and plants for farmers and market-gardeners in India and around the world. Founded nearly 30 years ago by Mr Manmohan Attavar, the chairman, the company is now on the forefront of efforts by Indian and foreign companies to transform India into a principal source for the international trade in seeds and young plants.

"India's got lots of land, water and sunshine. And it has very good researchers. There's no reason why we can't export quite a hit to the rest of the world," says 62-year-old Mr Attavar, who studied agricultural sciences in the US before returning to India to establish his business.

India has a wide diversity of soils, climates and natural flora, which together have encouraged the development of a long tradition in agricultural sciences. But the decades of autarkic economic policies that followed Independence restricted the contacts between Indian scientists and their foreign counterparts and limited the prospects for international trade. Moreover, domestic researcb was dominated hy public sector institutions that often frowned upon the efforts of private companies. Also, India's refusal to subscribe to internationally-accepted norms for intellectual property rights made foreign researchers wary of sharing their knowledge.

However, the liberalisation of the Indian economy in recent years and the country's decision to accept the Uruguay Round of trade talks, which hinds nations to enforce strict patent laws, is bringing India into the mainstream of international trade in seeds and plants. The potential for improving the condition of Indian agriculture is also significant. For example, about half the Rs30bn-worth (£640m) of tomatoes grown annually are destroyed by viral diseases. Scientists in Mr Attavar's genetic engineering laboratory are trying to produce a disease-resistant tomato by manipulating its genetic codes.

The history of Mr Attavar's company mirrors the recent history of India's plant breeding industry. He started in the 1960s by producing hyhrid seeds for petunias and other plants and diversified into vegetahle hyhrids in the 1970s. (Hybrids are produced by cross-pollinating plants to encourage the development of particular qualities, such as resistance to disease or above-average size in vegetables. Producers sell either seeds or plants to farmers and other customers.

Indo-American Hybrid Seeds became the country's largest exporter of flower seeds and a leading exporter of vegetable seeds, including tomatoes. Last year its annual sales topped Rs150m, of which Rs65m was exported. Mr Attavar invested heavily in research and development and in 1988 established a hiotechnology laboratory for producing plants by tissue-culture – that is growing whole plants from fragments of plants. The technique permits the large-scale reproduction of plants bred for particular qualities, inclnding bananas, vanilla, chrysanthemum and carnations.

The newest development is the genetic engineering laboratory, set up last year with the latest imported equipment. It is home to the genetically-engineered petunia, a plant developed mainly to test techniqnes. Researcbers are working on disease-resistant tomatoes, flowers that will stay fresh longer after they are cut and grains with an extra-high protein content. They also dream of creating blue roses (produced in only a handful of genetic engineering laboratories) and blue lilies (which, Indo-American says have yet to be grown anywhere).

The international trade in seeds and plants is largely in the hands of companies in the US, the Netherlands and Italy. But developing countries including Thailand are expanding rapidly. Mr John Hamilton, managing director of Cargill India, an affiliate of Cargill the American seeds company, says India's export prospects are "brilliant". Cargill, which started its indian husiness in 1988, has been at the centre of controversy over commercial seed development. Indian farmers last year attacked the company's Bangalore office claiming that seed companies would seize control of seed development and use post-Uruguay Round patent laws to prevent farmers from trading in their own seeds.

The protests were largely based on a misunderstanding of the Uruguay Round, though they also reflected genuine fears of farmera about the impact of new technologies (often of foreign origin) on their work and way of life.

Mr Attavar says the farmers have little need to worry as new breeds of plant will improve yields and raise rural standards of living. Far from being harmed hy international trade, farmers will benefit hy winning access to seeds for crops with export potential. "If we use the right seeds and improve our transport our agricultural produce can be marketed everywhere in the world." Protectionist trade regimes in the US, the EU and Japan will restrict access to these markets but indian farmers will have plenty of scope in nearby countries, notably in the Gulf.

"India's got lots of land, water and sunshine. And it has very good researchers," says Manmohan Attavar

Robusta coffee producers expected to suspend export retention

By Alison Maitland

Rohusta coffee producers are expected to stop withholding exports following a rise in the international price.

Last week producers of arabica coffee dropped the amount of exports they are holding off the market from 20 per cent to 10 per cent following strong gains in prices of that variety.

The latest rise came at the end of a meeting of coffee producers and consumers in London that adopted a new 5-year international coffee agreement, to take effect in October.

The export retention scheme has helped to lift prices since it began last October, hut analysts attribute the market's current strength to a supply shortage from most producing countries. "The decline in production is due to the lack of investment over the last few years because prices have been so low," said Mr Lawrence Eagles of hrokers GNI.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1297-8	1320-1
Previous	1309.5-10.5	1333.5-4.5
High/low	1308	1333/1319
AM Official	1308.5-9	1331.5-2
Kerb close		1322.5-3
Open Int.	270,858	
Total daily turnover	32,382	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1285-90	1295-300
Previous	1290-5	1295-300
High/low		1295
AM Official	1285-95	1300-10
Kerb close		1290-300
Open int.	4,606	
Total daily turnover	468	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	448.5-9.5	462-3
Previous	457-8	472-3
High/low		471/463
AM Official	454-5	468.5-9.5
Kerb close		465-9
Open int.	35,132	
Total daily turnover	9,387	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5530-5	5582-5
Previous	5610-20	5680-5
High/low	5595	5665/5560
AM Official	5590-2	5655-60
Kerb close		5560-90
Open int.	48,353	
Total daily turnover	11,345	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5410-20	5465-70
Previous	5445-55	5500-10
High/low	5470	5515/5465
AM Official	5460-5	5515-20
Kerb close		5475-8
Open int.	19,275	
Total daily turnover	3,814	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	939.5-40.5	960-0.5
Previous	953.5-4.5	975-6
High/low		970/960
AM Official	945-6	966-7
Kerb close		962-3
Open int.	106,616	
Total daily turnover	26,291	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1876-7	1890-0.5
Previous	1925-6	1936-7
High/low		1940/1886
AM Official	1927.5-8	1938.5-7
Kerb close		1886-7
Open int	210,676	
Total daily turnover	79,938	

■ LME AM Official £/$ rate: 1.4809
LME Closing £/$ rate: 1.4820

Spot 1.4820 3 mths:1.4767 6 mths:1.4734 9 mths:1.4707

■ HIGH GRADE COPPER (COMEX)

	Latest	Day's change	High	low	Open int	Vol
Apr	88.00	-1.25	89.00	88.00	1,119	325
May	87.00	-2.35	88.70	88.55	40,932	1,542
Jun	97.80	-1.55	87.00	97.80	887	172
Jul	87.30	-2.15	88.90	86.85	14,220	2,420
Aug	87.00	-2.35	87.00	87.00	486	89
Sep	87.40	-1.95	88.60	97.00	3,974	133
Total					69,425	4,873

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.50-386.90	
Opening	386.80-387.20	
Morning fix	388.75	261.742
Afternoon fix	387.15	262.066
Day's High	387.50-387.90	
Day's Low	386.20-386.60	
Previous close	385.90-386.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.29 6 months 3.54
2 months ....3.37 12 months 3.90
3 months 3.39

Silver Fix	p/troy oz.	US cts equiv.
Spot	379.20	561.00
3 months	384.00	565.95
6 months	389.05	572.00
1 year	399.75	585.45
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	388-391	263-266
Maple Leaf	397.80-400.30	-
New Sovereign	91-94	62-65

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	low	Open int	Vol.
Apr	386.3	+0.3	387.5	385.3	21,271	30,289
May	387.2	-	-	-	-	-
Jun	388.9	+0.4	390.2	387.8	74,089	34,303
Aug	391.5	+0.5	392.5	391.0	8,824	930
Oct	393.8	+0.1	394.0	393.8	4,722	281
Dec	397.1	+0.6	398.3	396.6	14,061	667
Total					147,411	66,968

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	low	Open int	Vol.
Apr	410.0	+0.8	414.5	408.0	2,280	1,432
Jul	414.0	+2.1	418.0	412.0	18,786	2,917
Oct	415.0	+2.4	418.5	415.0	1,608	47
Jan	416.5	+3.1	419.5	416.5	597	18
Apr	418.0	+3.1	418.0	418.0	824	13
Total					24,073	4,427

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	low	Open int	Vol.
Mar	135.40	-0.95	143.00	143.00	1	-
Jun	133.00	-1.15	135.25	131.00	4,001	162
Sep	131.50	-2.65	135.00	131.50	423	7
Dec	133.50	-0.40	133.50	133.50	259	3
Total					4,684	172

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Latest price	Day's change	High	low	Open int	Vol.
Apr	564.2	-	-	-	5	-
May	563.6	-2.2	567.0	559.5	71,720	24,378
Jun	-	-	-	-	18,381	3,352
Jul	567.6	-2.2	571.0	564.0	5,492	145
Sep	570.5	-3.6	576.0	568.5	10,089	684
Dec	578.5	-2.2	582.5	575.0	28	-
Total					116,802	28,913

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	14.13	-0.19	14.44	14.08	108,825	42,919
Jun	14.28	-0.10	14.51	14.24	77,066	22,607
Jul	14.46	-0.10	14.61	14.39	36,814	6,434
Aug	14.60	-0.10	14.67	14.60	20,784	3,922
Sep	14.80	-0.05	14.86	14.75	21,877	2,834
Oct	14.90	-0.10	14.95	14.90	11,972	1,655
Total					409,735	93,723

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	13.02	-0.08	13.21	12.97	58,380	23,425
Jun	13.11	-0.05	13.27	13.07	39,055	10,719
Jul	13.27	-	13.38	13.23	18,772	4,757
Aug	13.40	+0.01	13.50	13.38	11,283	1,727
Sep	13.55	+0.04	13.60	13.55	5,068	850
Oct	-	-	-	-	2,185	339
Total					N/A	42,079

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	44.00	-0.60	44.80	43.70	17,144	14,261
May	41.70	-0.37	42.50	41.65	57,875	12,716
Jun	41.70	-0.21	42.10	41.60	40,409	8,821
Jul	42.30	-0.10	42.60	42.20	24,858	1,770
Aug	43.10	-0.05	43.35	43.10	10,334	410
Sep	44.25	-	44.35	44.20	8,580	550
Total					182,817	37,229

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	136.25	+0.75	137.50	136.00	23,243	4,129
May	134.25	-	135.50	134.00	21,032	4,067
Jun	134.00	-	135.25	134.00	21,180	2,676
Jul	135.25	-0.50	136.50	135.25	13,425	1,050
Aug	137.25	-0.25	138.25	137.25	5,935	580
Sep	139.75	-	140.50	139.50	3,536	327
Total					112,948	14,062

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
May	2.052	-0.010	2.090	2.041	17,821	3,586
Jun	2.070	-0.012	2.070	2.055	10,966	758
Jul	2.080	-0.002	2.082	2.075	10,403	1,025
Aug	2.105	-0.006	2.108	2.095	10,198	352
Sep	2.125	-0.006	2.134	2.125	10,773	191
Oct	2.160	-0.010	2.170	2.160	6,392	182
Total					115,482	8,499

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	44.50	+0.10	45.40	44.35	15,791	13,239
May	45.08	+0.07	45.85	44.00	51,737	13,356
Jun	45.50	+0.05	46.15	45.30	28,543	4,095
Jul	46.40	-0.17	45.90	45.30	8,882	1,699
Aug	45.30	-0.10	45.70	45.20	8,843	792
Sep	45.10	-0.03	40.15	44.95	5,690	467
Total					124,804	33,803

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	109.40	-0.75	110.65	109.00	1,510	281
Jun	110.25	-0.90	111.65	110.00	620	178
Sep	93.55	+0.05	94.00	93.90	356	80
Nov	94.70	+0.05	95.15	94.75	1,217	92
Jan	96.45	+0.05	96.90	96.50	718	155
Mar	98.15	+0.25	98.40	98.40	175	24
Total					4,596	786

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	332/2	+1/4	333/4	329/4	86,140	11,415
Jul	326/0	-	329/4	326/0	111,645	20,700
Sep	330/4	-	331/2	330/2	18,915	2,690
Dec	336/6	-1/0	339/4	336/4	24,260	1,130
Mar	340/4	-	-	-	285	5
May	341/0	-	-	-	5	-
Total					N/A	N/A

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	283/6	-1/2	284/6	283/2	548,735	72,350
Jul	286/6	-1/2	287/4	286/4	506,330	32,865
Sep	273/0	-0/6	273/6	272/6	131,875	5,300
Dec	260/0	-0/2	260/6	259/4	319,975	17,560
Mar	266/4	-	267/2	266/2	23,455	1,230
May	270/0	-0/4	270/4	270/0	1,625	70
Total					N/A	N/A

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	105.00	+0.25	-	-	153	-
Sep	94.25	-	-	-	139	-
Nov	95.75	-	-	-	104	-
Jan	97.50	-	-	-	15	-
Mar	98.40	-	-	-	7	-
Total					412	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	687/4	-1/2	689/4	686/6	280,710	82,615
Jul	689/2	-1/4	691/4	688/4	257,520	29,560
Aug	682/4	-1/4	684/4	682/0	41,795	3,410
Sep	662/4	-3/0	664/0	661/4	23,880	2,065
Nov	649/4	-2/6	650/4	647/6	164,360	10,910
Jan	654/0	-1/4	655/4	653/0	14,930	305
Total					N/A	N/A

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	28.80	+0.02	28.85	28.71	31,184	5,225
Jul	28.72	-0.01	28.80	28.64	39,598	2,732
Aug	28.29	-0.04	28.35	28.25	9,343	898
Sep	27.75	-0.13	27.86	27.70	8,542	315
Oct	27.00	-0.09	27.10	26.99	7,048	281
Dec	26.38	-0.15	26.50	26.32	13,220	1,146
Total					N/A	N/A

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	195.6	-0.5	196.1	195.5	25,552	3,448
Jul	195.9	-0.5	196.5	195.8	26,848	2,403
Aug	194.9	-0.3	195.2	194.7	6,955	468
Sep	193.2	-0.3	193.5	193.1	5,772	161
Oct	191.2	-0.7	191.5	191.2	3,379	67
Dec	190.3	-0.5	190.9	190.1	9,223	431
Total					N/A	N/A

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	206.5	+11.0	205.0	195.0	610	56
May	212.0	+11.0	212.0	205.0	593	27
Jun	130.0	-	-	-	2	-
Nov	70.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	128.0	+2.5	127.5	127.5	-	-
Total					1,525	87

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1205	-	-	-	284	-
Apr	1265	-23	1265	1255	1,010	10
May	1285	-17	-	-	660	-
Jul	1138	-11	-	-	565	-
Oct	1243	-43	1270	1270	233	2
Jan	1318	-	1318	1318	139	5
Total					2,981	17

	Close	Prev
BFI	1207	1208

Cotton

Spot and shipment sales in Liverpool amounted to 179 tonnes for the week ended March 25, against 330 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles, notably in Israeli, central Asian and American growths.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	860	-4	883	879	13	15
May	898	+6	902	888	19,722	2,780
Jul	917	+6	920	907	18,590	1,134
Sep	933	+5	936	923	11,472	673
Dec	953	+7	954	943	15,852	1,365
Mar	974	+6	976	966	24,490	1,086
Total					110,424	7,558

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1145	-10	1156	1140	23,954	4,255
Jul	1176	-8	1188	1170	23,316	3,382
Sep	1198	-12	1211	1195	9,913	315
Dec	1242	-4	1246	1235	6,396	96
Mar	1280	+1	1280	1267	9,489	475
May	1297	-5	1300	1290	5,503	1
Total					87,735	8,524

■ COCOA (ICCO) (SDR's/tonne)

Mar 29	Price	Prev. day
Daily	898.15	912.88
Mar 30		
10 day average	946.03	953.49

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1339	+4	1335	1334	82	31
May	1353	+9	1354	1344	13,635	768
Jul	1356	+8	1358	1347	16,244	845
Sep	1352	+5	1353	1345	6,466	437
Nov	1350	+9	1350	1343	4,010	134
Jan	1345	+4	1348	1342	5,244	58
Total					47,466	2,273

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	81.10	-0.10	81.60	80.55	31,551	7,481
Jul	82.65	-0.10	83.15	82.10	14,061	2,451
Sep	83.90	-0.10	84.35	83.50	6,470	1,107
Dec	85.30	+0.15	85.50	84.75	3,851	35
Mar	85.90	-	-	-	1,484	135
May	86.50	-0.55	86.50	86.50	230	17
Total					58,003	11,236

■ COFFEE (ICO) (US cents/pound)

Mar 28	Price	Prev. day
Comp. daily	77.20	77.57
15 day average	77.04	76.86

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	12.07	-0.26	12.12	12.03	1,112	153
Jul	12.50	-0.20	12.50	12.43	2,778	68
Oct	11.98	-0.07	11.98	11.98	290	500
Jan	-	-	-	-	-	-
Total					4,175	721

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	341.00	+0.30	341.20	338.50	7,075	720
Aug	337.30	+0.80	337.30	335.30	7,265	886
Oct	314.30	+1.20	314.30	312.70	5,634	515
Dec	307.50	-	307.50	307.50	131	2
Mar	307.50	-	307.50	307.50	806	5
May	-	-	-	-	200	-
Total					21,116	2,426

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	11.96	+0.11	11.98	11.86	53,224	20,609
Jul	12.17	+0.07	12.20	12.13	37,154	7,942
Oct	11.67	+0.03	11.71	11.66	30,966	2,525
Mar	11.35	+0.02	11.39	11.35	14,265	1,117
May	11.34	+0.02	11.34	11.34	1,619	13
Jul	11.29	-	-	-	1,065	16
Total					138,987	32,266

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	77.81	+0.44	78.00	76.85	21,027	4,160
Jul	78.45	+0.52	78.50	77.70	15,045	1,580
Oct	74.75	+0.42	74.95	74.30	2,844	82
Dec	72.35	+0.42	72.50	71.90	14,712	1,112
Mar	73.00	+0.22	73.50	73.00	746	8
May	73.65	-0.05	73.30	73.30	234	4
Total					54,666	6,948

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	110.30	-0.25	110.60	110.15	8,021	662
Jul	113.20	-0.10	113.55	113.10	5,768	225
Sep	116.00	+0.10	116.00	115.90	2,180	85
Nov	114.25	-	-	-	1,159	33
Jan	115.45	-0.30	115.50	115.45	2,102	18
Mar	116.00	-	-	-	320	65
Total					19,590	1,096

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 30	Mar 29	month ago	year ago
1832.8	1836.1	1787.9	1722.6

■ CRB Futures (Base: 4/9/56=100)

Mar 29	Mar 28	month ago	year ago
226.87	227.56	227.35	210.79

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	76.350	-0.200	76.425	76.100	28,199	6,728
Jun	73.825	-0.050	73.900	73.550	25,574	5,320
Aug	72.375	-0.025	72.425	72.250	13,011	1,385
Oct	73.550	-0.050	73.575	73.425	10,391	455
Dec	73.775	-0.200	73.900	73.700	2,987	371
Feb	73.800	-0.125	73.825	73.575	1,248	21
Total					81,538	14,284

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	48.375	-0.250	48.425	48.075	5,815	3,451
Jun	52.600	-0.325	53.050	52.500	14,348	3,215
Jul	52.100	-0.350	52.325	51.950	4,239	863
Aug	50.100	-0.150	50.150	49.950	2,785	586
Oct	46.100	-	46.100	45.900	1,768	281
Dec	46.800	-0.150	46.850	46.550	2,268	149
Total					31,660	8,691

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Latest price	Day's change	High	Low	Open int	Vol
May	56.425	+0.075	56.550	55.850	4,860	1,440
Jul	58.500	-0.050	56.550	55.900	3,718	944
Aug	54.200	-0.025	54.300	53.850	609	52
Feb	57.800	+0.200	57.500	57.000	107	24
Mar	58.750	-	-	58.750	11	3
May	57.800	-	-	-	6	1
Total					9,162	2,463

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1300	35	70	28	44
1325	24	57	41	55
1350	15	46	57	69
■ COPPER (Grade A) LME	**May**	**Aug**	**May**	**Aug**
1800	27	62	40	72
1850	12	42	80	101
2000	4	27	123	136
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
1300	64	87	11	31
1350	32	58	29	52
1400	14	38	61	82
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
900	15	49	17	32
925	7	37	34	45
950	3	28	55	91
■ BRENT CRUDE IPE	**May**	**Jun**	**May**	**Jun**
1300	31	60	31	44
1350	11	38	64	69
1400	5	21	90	103

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$11.84-1.93w	+0.085
Brent Blend (dated)	$13.09-3.11	-0.42
Brent Blend (May)	$13.08-3.10	+0.07
W.T.I. (1pm est)	$14.20-4.21w	+0.09

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$152-154	
Gas Oil	$138-140	+0.5
Heavy Fuel Oil	$67-69	
Naphtha	$127-130	-0.5
Jet Fuel	$154-156	-0.5

Petroleum Argus Estimates

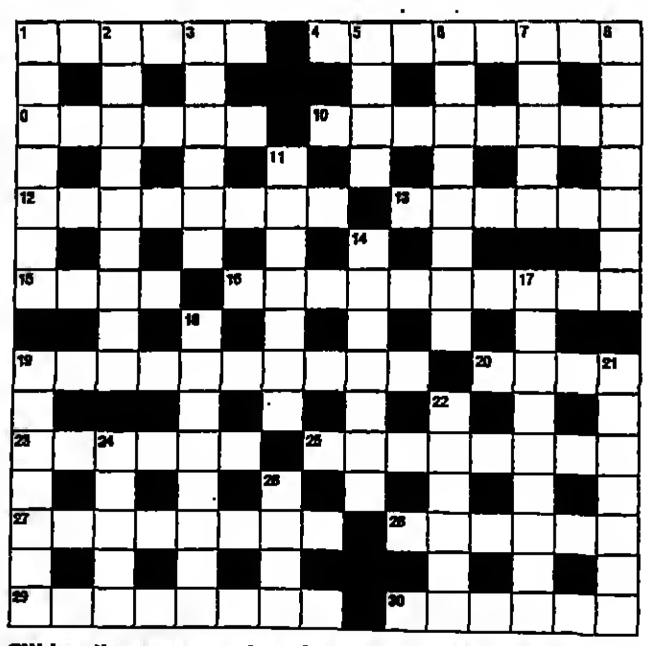
■ OTHER

Gold (per troy oz)♣	$386.70	+0.55
Silver (per troy oz)♣	560.50c	-7.00
Platinum (per troy oz.)	$409.50	+3.00
Palladium (per troy oz.)	$133.75	
Copper (US prod.)	35.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.40r	-0.04
Tin (New York)	252.00c	-2.50
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	125.06p	-2.86*
Sheep (live weight)†♣	133.60p	-4.74*
Pigs (live weight)	75.99p	-1.60*
Lon. day sugar (raw)	$296.0	-8.0
Lon. day sugar (wte)	$344.8	-2.2
Tate & Lyle export	£308.0	-3.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	£160.0x	-0.0
Rubber (May)♥	71.00p	
Rubber (Jun)♥	71.25p	
Rubber(KL RSS No1 Apr)	258.50m	
Coconut Oil (Phil)§	$550.0t	
Palm Oil (Malay.)§	$410.0w	+2.5
Copra (Phil)§	$353.0z	
Soyabeans (US)	£200.0w	+2.0
Cotton Outlook A Index	82.45c	+0.40
Wooltops (64s Super)	392p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. v Apr u May. t May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,418 Set by CINEPHILE



CW has the same meaning wherever it occurs in the clues

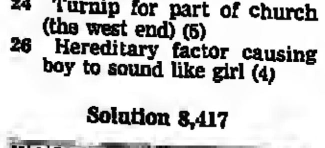
ACROSS

1 Weedkiller at school (6)
4 Northern ocean with nothing in it like opium? (8)
9 Collector on target (6)
10 Cinephile's after gold – it isn't really Cinephile (8)
12 After a month at the theatre it is old and feeble (8)
13 We send characters into the country (6)
15 Knot done, possibly (4)
16 Left in tronble at home, Luther reformed church (2,3,5)
19 Father's prudent method of going from one building to another (10)
20 Australian leader in tree in Pacific island (4)
23 Tolerance for fool in grassland (6)
25 Puzzle – don't be so tame (8)
27 Caliph in hollow on river on one side of CW (8)
28 Prince of CW, a rugby forward (6)
29, 5 Clue for Mary, perhaps, in CW (3,5,4)
30 Desensitise incomplete cul-de-sac (6)

DOWN

1 A parliamentarian died – he's round on a pole in CW (7)
2 Decries GI arranging the final solution to CW? (9)
3, 6 Fruit for Catholic, mostly Roman, fit in CW (6,8)
5 See 29
6 See 3
7 Carried to Heath? (5)
8 Greek city, sadly not rich (7)
11 One in support who went first (7)
14 Depreciate a revolutionary and a writer (7)
17 Where's a halo in CW? (9)
18 Give nothing away after a month in the tower (6)
19 Bird may be put in place (7)
21 Planet to north of moor in CW (7)
22 Time of little note (6)
24 Turnip for part of church (the west end) (5)
26 Hereditary factor causing boy to sound like girl (4)

Solution 8,417



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie 3,100 swept away in turbulent market

By Terry Byland, UK Stock Market Editor

Political worries, interest rate concern and uncertainty in US markets combined to take the heart out of the London stock market yesterday. The Footsie 3,100 mark, lost at the market's opening, was briefly regained later but only to be swept away again when the market fell at the close as the Dow Industrial Average shed 40 points in early deals. The final reading of 3,092.4 on the FT-SE 100 Index left a loss of 31 points on the day.

The initial damage was done by the overnight drop of 63 points on the Dow and the rise in US long bond yields above 7 per cent. Moving in line with other European bourses, the Footsie was 36 points off at the opening and quickly extended this loss. But London was additionally hurt by the slide in sterling as foreign exchange markets reacted sharply to the political storm in the UK House of Commons prompted by the government's acceptance of the changes in the EU voting structure – and particularly to attacks on Mr John Major, the prime minister, from his own parliamentary supporters. Weakness in sterling presents a further threat to prospects for a cut in UK base rates and the short sterling market quickly took fright.

Little selling pressure developed in the stock market, however, and a rally then set in, encouraged first by a further reduction in rates at the Bundesbank repo tender and then by tha favourable outcome to the auction of £2.5bn UK short-dated securities.

Account Dealing Dates		
*First Dealings: Mar 14	Mar 28	Apr 11
Option Declarations: Mar 24	Apr 7	Apr 21
Last Dealings: Mar 25	Apr 8	Apr 22
Account Day: Apr 6	Apr 18	May 3

*New time dealings may take place from two business days earlier.

Led by improvement in European bond markets, which responded to a modest rebound in US Federal securities, equities regained most of their losses and the Footsie touched 3,117.7, still 5.7 off on the day.

The last hour-and-a-half of business saw the revival in confidence abruptly quelled when the early setback on Wall Street hit Europe. Nervousness in London was reflected in a heavy seller of the June future contract on the FT-SE 100 Index, and in rumours that an influential New York guru had cut ratings on the US market.

The June Footsie future fell to a massive discount against tha cash market – but rebounded after the close of the official futures market.

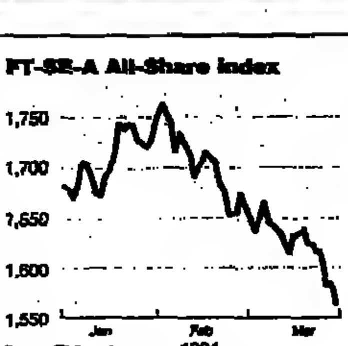
Erratic trading this week has been blamed on the approach of the Easter weekend, when securities houses will be unwilling to hold positions open. This week's data on US consumer confidence has reinforced concern that a strengthening economy will prompt the Federal Reserve to tighten credit policy sooner rather than later.

European investors have become increasingly nervous ahead of Good Friday, when most markets will be closed but important US statistics on employment will be announced.

Seaq volume jumped to 765m shares from 677.3m on Tuesday as nervous holders got out of the market. The FT-SE Mid 250 Index closed above tha day's worst but showed a loss of 21.7 at 3,767.1, indicating that selling pressure had not been confined to the blue chip sectors, which are linked to stock index futures.

Weakness in sterling was identified as the new factor to the market equation; easing in Bundesbank rates and tighter credit policy by the Federal Reserve have both been largely taken on board by the UK stock market, which has continued to hope for a further cut in domestic base rates. But the prospect of continued pressure on the pound if overseas investors take a negative view of the UK political situation will prompt a hurried reappraisal of the UK base rate theory.

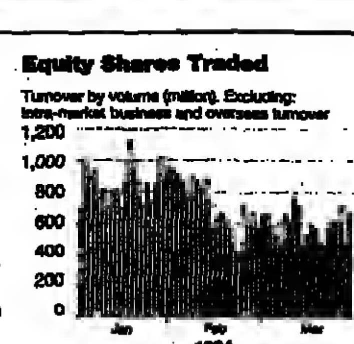
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key indicators

Indices and ratios

FT-SE 100	3092.4	-31.0	FT Ordinary Index	2445.5	-24.8
FT-SE Mid 250	3767.1	-21.7	FT-SE-A Non Fins p/e	20.66	(21.04)
FT-SE-A 350	1574.1	-14.2	FT-SE 100 Fut Jun	3059.0	-59.0
FT-SE-A All-Share	1566.15	-13.84	10 yr Gilt yield	7.59	(7.87)
FT-SE-A All-Share yield	3.71	(3.68)	Long gilt/equity yld ratio:	2.15	(2.22)

Best performing sectors		Worst performing sectors	
1 Tobacco	+1.5	1 Property	-1.7
2 Merchant Banks	+0.7	2 Pharmaceuticals	-1.7
3 Other Ser & Bus	+0.3	3 Textiles & Apparel	-1.6
4 Building & Cons	-0.1	4 Banks	-1.5
5 Transport	-0.1	5 Building Mats	-1.4

Forced sales hit BAe

A decision by British Aerospace to force international shareholders to tighten holdings because of rules governing overseas ownership of the defence group saw the shares marked down sharply yesterday.

The company warned of its action late on Tuesday following a breach of the permitted 29.5 per cent ownership. Yesterday the shares opened sharply lower on fears that the move would cause a stock overhang and that buying pressure would subside without the continued overseas interest.

But analysts said the problems caused by the ceiling, imposed by the government to prevent the company being dominated by foreign interests, were likely to force tha government to relax the rule. After the market closed, BAe said its foreign-owned stakes had fallen to 29.49 per cent.

Meanwhile, a press story that BAe's aircraft leasing obligations were substantially greater than the income it expects to receive on subleases to airlines was said to have caused few ruffles. The stock closed 11 off at 488p.

Westland bought

Westland's battle for survival looked almost over last night after GKN revealed it had captured 54.4 per cent, just 0.6 per cent below the level it needs to declare the offer unconditional.

Earlier in the day, GKN lifted its hostile offer from 290p to 335p a share, valuing Westland at £577m. Turnover came to 26m shares, the heaviest in the market yesterday, with the price gaining 8 at 333p.

A £52.5m rights issue from Simon Engineering had been well flagged by the company and the shares slipped just 3 to 118½p. The five-for-nine cash call at 100p a share will be used to cut debt and bolster the balance sheet.

Oil major BP fell 7½ to 349p after Merrill Lynch joined the ranks of analysts cutting forecasts following the decision by OPEC to maintain its oil production quota until the end of the year. Merrill's oil analyst in New York, Mr Gus Fliakos slashed his estimate for the average price of Brent crude by almost $3 a barrel to $14.60.

As a result he reduced his earnings forecast for the company's profits this year by £275m to £945m and his earnings earnings per share forecast year by 5p to 17.4p.

BAT Industries lifted 7 to 448p after several marketmakers decided the stock was oversold and worth picking up for tha 6 per cent prospective yield. One analyst pointed out that the stock had underperformed the FT-A All Share Index by 16 per cent over the past quarter.

Pharmaceutical group Zeneca fell 18 to 727p, partly as the stock caught up with the slide elsewhere in the sector and also on concern over pressure on mail order sales of Zestril, its high blood pressure treatment from rival Merck.

Mining group RTZ slipped 11 to 833p. BZW argued that the release of a huge Japanese stockpile of copper on April 1 would have a "major impact on the copper price".

Growing speculation that Great Universal Stores is poised to buy back a chunk of its equity saw the shares rise 10 to 591p. Dealers heard more rumours of activity by the company in the gilts market in preparation for the move. If GUS were to buy back a stake of around 15 per cent, the cost would be close to £1bn, a figure well covered by the company's estimated £1.7bn cash pile.

Talk of improving margins at its B&Q home improvement division together with soma positive noises from brokers lifted Kingfisher 12 to 569p.

Speculation that PepsiCo, the US soft drinks giant, is about to buy out its partners in the Britvic distribution consortium for around £350m was again heard and impacted on the shares concerned. Bass, which owns a 45 per cent share, had a roller coaster day, tumbling 12 at the outset then rallying 19 as the Britvic story gathered strength before fading towards the end to close a net 2 up at 535p. Turnover was 4.6m. Whitbread, which owns 22.5 per cent, slid 9 to 516p, with some worries over the company's next strategic move, while Allied Lyons, also owner of 22.5 per cent, slipped 4 to 553p.

British Bio-technology jumped 20 to 490p on the view that its issue of warrants exercisable at the end of next year at 525p offered a cheap way into the stock. Dealers said James Capel, Lehman Brothers and Morgan Stanley were all recommending the stock.

Health products and photo processing group London International improved on an announcement from the Department of Trade and Industry that price controls on condoms would be lifted. However the shares closed a net 2 off at 146p.

Insurance brokers, which generate the majority of their earnings in dollars, responded to the weakness of sterling against the US currency. Leaders Willis Corroon and Sedgwick gained 2 to 228p and 208p respectively. Meanwhile, Hogg Group benefited from an upbeat statement with its figures and lifted 7 to 141p.

The insurance sector was restrained by the market and, to a certain extent, by tha news that Norwich Union had suspended its sales staff. However, most stocks recovered from their troughs as bargain hunters moved in. Prudential closed 3 lower at 309p.

A widely-rumoured rights issue from Stakis saw the hotel group look to raise £67m which it intends for selective hotel purchases. The 1-for-4 at 72p a share was well received, and the stock steadied at 84p, down a penny on the day.

Rank announced it was quitting the video and audio rack jobbing business in the US at a one-off cost of $75m. Tha shares slid 6 to 395p. One analyst said: "It's a relief they've got out, but why has it taken so long? The business has been losing money for years."

The wobbling property sector saw further retreats by the leading stocks and the expected nervous debut by Capital Shopping Centres. The shares, which received only 14.4 per cent acceptances for its public offering, came to the market at 230p and languished a good 20p for most of the day, finally closing at 208p. Turnover was 4.3m.

BOC shed 12 to 708p with soma dealers suggesting the stock was due a correction.

Wasta group Shanks & McEwan rose 6 to 87p after the company announced its strategic review. Analysts were relieved that there was no mention of a reduced dividend. But Mr Philip Morrish of Smith New Court said a question mark remained over tha EU directive on importing waste, which comes into effect in May and it was too early to turn positive.

Newcomer to the market Inspec started trading at 178p, well above its 160p issue price, and ended the day at 185p with Hoare Govett advising institutions that the speciality chemicals group was worth 200p a share in the short term.

MARKET REPORTERS: Christopher Price, Peter John.

Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (18). BUILDING & CNSTRN (1) Dunton, DIVERSIFIED INDLS (1) Anstofagasta 5% Prf., ENGINEERING (1) Metsec, HOUSEHOLD GOODS (2) Delaney, Portmeirion Potteries, INVESTMENT TRUSTS (1) Mauritius Fund, INVESTMENT COMPANIES (5) Genesis Malaysia Majo Fd., JF Japan OTC Fd., Spanish Smaller Co's, MEDIA (2) Bristol Evening Post, Euromoney Pubis., OIL EXPLORATION & PROD (1) Ohio Resources, RETAILERS, FOOD (1) Farepak, SUPPORT SERVS (1) DCS, TRANSPORT (2) National Express, Wah Kwong.

NEW LOWS (72). GILTS (28) BREWERIES (1) Greene King, BLDG MATLS & MCHTS (2) Ashley, Do. 5¼p Prf., DIVERSIFIED INDLS (1) Trafalgar Hse. 6p Prf., ENGINEERING (1) Harris (PN), FOOD MANUF (2) Canadian Pizza, Delepak, HEALTH CARE (4) AAH, Biotrace Intl., Haemocell, Intercare, INSURANCE (1) USF & G, INVESTMENT TRUSTS (11) Abtrust Emrg. Economies Wts., Baring Emrg. Euro., Fidelity Japanese Values, Friends Prov. Ethical, Kleinwort Euro. Prvt. Wts., Pacific Horizon Wts., Saracen Value, Do. Wts., Taiwan Inv., Do. Wts., Throgmorton Prf., MEDIA (2) CentreGold, Saatchi, OIL EXPLORATION & PROD (1) Schlumberger, OTHER FINANCIAL (2) Energy Capital, Trio, OTHER SERVS & BUSNS (1) Photo-Me, PHARMACEUTICALS (1) Smithkline Beecham Equity Units, PRTNG, PAPER & PACKG (1) Field, PROPERTY (3) Cathay Intl., Chelsfield, UK Estates, RETAILERS, FOOD (2) Budgens, Gest, RETAILERS, GENERAL (1) Alexon, SUPPORT SERVS (2) British Data Management, Nova, TEXTILES & APPAREL (6) Cupid, Haggas (J), Lowe (FH), Martin Intl., Pentland, AMERICANS (3) Decora Inds., Woolworth, CANADIANS (1) Hudson's Bay.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets moved mostly in tandem with the underlying stock market yesterday as they reacted to the sudden nervousness prompted by Wall Street's setback, writes Terry Byland.

The FT-SE 100 Index opened 36 points down and the June contract on the index also plunged, showing a discount of just over 8 points to the cash market; the fair value premium is estimated at 3 to 8 points.

Although volume was unexciting, the market then turned higher and the June contract was showing a premium of around 10 to cash as the FT-SE 100 approached its closing reading for the day. However, with Wall Street dropping afresh at the beginning of the new session, a large seller of the June future appeared and it quickly collapsed to 3,055, a 30-point discount against the index. Volume was moderate at under 20,000 contracts.

But post-session trading saw the June contract quickly recover virtually all of its discount as the seller disappeared, and traders said the opening quotations this morning would depend entirely on Wall Street's performance.

Business in traded options increased to 42,164 lots from 23,741. The FT-SE 100 contract held the limelight, trading 20,480 against 9,446.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3078.0	3059.0	-59.0	3127.0	3055.0	20760	57933
Sep	3095.0	3077.0	-58.0	3115.0	3095.0	14	705
Dec	-	3086.0	-59.0	-	-	0	0

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3740.0	3760.0	-20.0	3764.0	3740.0	123	2235

FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3740.0	3760.0	+20.0	3760.0	3740.0	6	774

All open interest figures are for previous day. † Exact volume shown.

FT-SE 100 INDEX OPTION (LIFFE) (*3094) £10 per full index point

[illegible]	

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]	

EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]	

TRADING VOLUME

Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	7,800	57½	-¼
Abbey National†	2,600	469	-1
Albert Fisher	1,300	68	+3
Allied-Lyons†	1,600	553	-4
Anglian Water	624	517	+3
Argos	1,300	352	-4½
Argyll Group†	5,100	253	+3
Arjo Wiggins†	1,000	284	-8
Assoc. Brit. Foods†	581	567	+6
Assoc. Brit. Ports	319	561	+2
BAA†	1,900	1007	+4
BAT Inds.†	8,700	448	+7
BET	5,300	126	
BICC	1,700	496	-2
BOC†	1,900	708	-12
BP†	10,000	349	-7½
BPB Inds.	1,600	328	-2
BT†	7,800	396	-3
BT (P/Paid)	3,400	280	-3½
BTR†	5,300	360	-6
Bank of Scotland†	2,100	199½	+4½
Barclays†	4,200	529	-7
Bass†	4,600	535	+2
Blue Circle†	4,900	326½	+4½
Booker	695	441	+3
Boots†	4,400	509	-10
Bowater†	1,800	443	-7
Brit. Aerospace†	1,100	488	-13
British Airways†	2,100	415	-4
British Gas†	12,000	304	-2½
British Land	3,600	407	-2
British Steel†	13,000	138	-2½
Bunzl	541	176	+2
Burmah Castrol†	761	820	-6
Burton	5,000	58	-½
Cable & Wire†	6,000	447	+2
Cadbury Schweppes†	3,500	465	-3
Calor Group	134	316	-1
Caradon†	4,400	374	-9
Carlton Comms.†	1,000	896	-8
Coats Viyella†	4,900	227	-8
Comm. Union†	771	571	-9
Cookson	2,000	265	-1
Courtaulds†	251	524	-6
Dalgety	421	444	-7
De La Rue†	939	942	+3
Dixons	2,500	202	-5
Eastern Elect.	601	661	-1
East Midland Elect.	666	616	-10
Eng China Clays	918	479	-8
Enterprise Oil†	1,200	402	-2
Eurotunnel Units	42	520	-2
FKI	344	196	-1
Fisons	1,000	131	-3
Foreign & Col. I.T.	1,600	272½	-4½
Forte†	2,000	251	-3
Gen. Accident†	1,100	615	-11
General Elect.†	5,300	293	+2
Glaxo†	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]	

FT-SE Actuaries All-Share

[illegible]	

Hourly movements

[illegible]	

FT-SE Actuaries 350 Industry baskets

[illegible]	

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allied-Lyons (*551)	540	24	36	45	5½	25½	32
	589	4½	14½	27	38½	58	62½
Argyll (*251)	240	16½	26	29	3½	15	19½
	280	6	15½	18	13	27	31
ASDA (*58)	50	8	12	13	1	2½	4½
	60	2½	6	7½	4½	7	9
[illegible]							

Option		Calls May	Aug	Nov	Puts May	Aug	Nov
Hanson (*267)	260	14½	19½	24	5	9½	14
	280	6	10½	15	15	20½	24½
Lasmo (*124)	120	12	16	20	6½	12	16
	130	7½	14½	20	12	17½	22
Lucas Inds (*192)	180	17½	25½	29	4	9	14
	200	8	14	18½	13½	18½	25
[illegible]							

FT GOLD MINES INDEX

[illegible]	

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	12	7
Other Fixed Interest	1	0	14
Mineral Extraction	58	89	78
General Manufactures	66	303	309
Consumer Goods	23	83	86
Services	68	208	241
Utilities	6	31	9
Financials	62	176	131
Investment Trusts	13	304	143
Others	44	60	37
Totals	418	1,246	1065

Data based on those companies listed on the London Share Service. It was not possible to publish the Traditional Options table today.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	31.0	247	241	Abtrust N Dawn C	246		-	-	-	-
135	F.P.	41.2	142	134	Applied Distbn	136		WN3.8	2.4	3.3	18.1
-	F.P.	5.43	12	12	Ashchurch Res	12		-	-	-	-
[illegible]											

RIGHTS OFFERS

[illegible]	

FINANCIAL TIMES EQUITY INDICES

[illegible]	

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23½	-⅞	£25¼	£18¾	6,418	4.6	ф
ANZ A$		231	-6½	270¾	130	3,023	3.9	18.2
Abbey National	gN□	489xd	-1	524	345	6,183	3.7	15.8
Allied Irish £	ф□	244xd	-8	314	179	1,687	5.1	ф
Anglo Irish £	N□	96	+1	*76	28	190.8	7.4	10.8
Asahi Y		699	-9¾	844	419	16,220	8.7	-
Banco Bil Viz Pta		£15⅝	+⅜	£17⅞	£13⅞	3,676	5.2	7.2
Banco Sant Pta		£31⅞	—	£36	£24⅞	3,513	4.3	12.1
Bank Leumi (UK)		430xd	—	460	325	35.2	5.0	ф
Bk Ireland £	ф□	251	-4	*319	177	1,183	5.0	18.5
Bank Scotland	ф†□	189½	+4½	247	116½	2,322	2.9	27.1
9¼pc Pf		127¼	-¼	143½	117¼	137.2	9.1	-
8¼pc Pf		134¼	-¼	148½	123½	134.2	9.1	-
Barclays	gN□	529xd	-7	652	362	8,591	2.8	27.0
Dai Ichi Kan Y		£11⅛	-⅛	£15⅜	£8⅞	36,797	5.0	65.2
Deutsche DM		£322	+4	£348¾	£250½	15,335	1.9	-
Espirito Santo		£21⅞	+⅜	£28½	£16½	231.4	3.7	8.2
First Nat Fin	N□	79	-1	*95	45	125.9	2.5	-
6.3pc Cv Pf		68	-1	*91	55	5.72	9.3	-
7pc Cv Pf		154	—	171	136	73.1	5.7	-
Fuji Bank Y		1458½	+14¾	1851	676	41,898	0.4	-
HSBC HK	□	761xd	-24	1198	474	13,383	5.0	ф
HSBC (75p Shs)	□	739xd	-25	1113	480	6,251	4.0	ф
Lloyds	N□	581xd	-7	690	482	7,208	4.9	11.8
Mitsubishi Y		£18½	—	£19¾	£11⅞	52,387	8.3	-
Mits Tst & Bk Y		1018	+10¼	1027¼	482½	13,229	0.5	16.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING & CONSTRUCTION

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DISTRIBUTORS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING, VEHICLES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING, VEHICLES - Cont.

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD MANUFACTURERS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEALTH CARE

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEALTH CARE - Cont.

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOUSEHOLD GOODS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS

	Notes	Price	+ or –	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or –	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22¼	-¼	£23½	£7½	1,329	3.3	♦
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	773.2	6.3	7.2
Gold Fields SA R		£13¼	[illegible]	£16	£7¼	1,270	8.8	22.3
MK Props		80	—	87	60	3.02	9.9	37.0
SASOL	♥	319	+4	361	215	1,887	4.9	-
SA Brews		£11¾	[illegible]	215[illegible]	[illegible]	6,361	2.5	10.4
Tiger Oats		663	—	[illegible]	513	[illegible]	2.8	14.0
Tongaat-Hulett	†	[illegible]	—	[illegible]	212	412.4	6.7	15.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. *The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.*

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (✦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Politics knock sterling

The renewed political difficulties of Mr John Major, who faces widespread criticism from within his own party, put the pound under pressure on foreign exchanges yesterday, *writes Philip Gawith.*

Sterling got off to a very nervous start following intense media speculation about Mr Major's future, following what was seen as a humiliating climbdown over voting rights in the European Union.

In early European trading sterling fell below \$1.4750, from Tuesday's London close of \$1.4927, before recovering to finish at \$1.479. It was also lower against the D-Mark, closing at DM2.4829 from DM2.4889. Short sterling futures also took a battering with the June contract losing 14 points to a low of 94.42 before rallying to close at 94.52.

Trading was generally fairly quiet with investors either taking to the sidelines or scaling back their positions ahead of the long weekend. The tidying up of positions at the end of quarter also played a part.

There were few surprises in Germany where the Bundesbank allowed the repo rate to fall by another four basis points to 5.76 per cent. The Belgian central bank brought itself into line with lower German rates by cutting its key central rate ten basis points to 6.05 per cent.

■ Aside from political worries, sterling was also undermined by talk of a tightening in credit policy which accompanied the monthly monetary meeting between Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England.

Many UK analysts believe inflation pressures remain subdued and are counting on a further base rate cut, probably in the summer. The chances of a cut will have improved with the Bundesbank yesterday confirming the downward path of German rates.

The market, however, continues to take a gloomier view of events. The June short sterling future is discounting a rise in base rates of about 25 basis points to 5.5 per cent by mid-year. Futures staged a recovery in the afternoon after plummeting during early trade. The December contract closed unchanged at 93.96, after hitting a low of 93.72 at one stage.

Mr Julian Callow, international economist at Kleinwort Benson, said the profile of short-term rates was very exaggerated. "The market is basically factoring in a full-blown sterling crisis, a sharp pick-up in UK inflation and rapid economic growth, all at once." He said it was unlikely the UK would be hit by this combination.

The Kleinwort analyst said sterling had been "cruising for a bruising" ever since the controversial rate cut in February. The fundamental weakness of the currency had initially been disguised by the weaker dollar, but political concerns and worries about the current account deficit had now resurfaced.

Mr Callow said foreign investors were nervous about the political outlook and sterling weakness reflected a more generalised shift out of UK assets. Some analysts argue that if Mr Major were to leave office, probably to be replaced by Mr Kenneth Clarke or Mr Michael Heseltine, this could well be positive for sterling.

The Bank of England put £774m liquidity into the money markets after predicting a shortage of £750m.

■ The D-Mark was softer in Europe after the Bundesbank again trimmed the repo rate. It closed lower in London against the French franc at FFr3.419 from FFr3.424. The Italian lira continued to firm in the aftermath of the election. It closed at L973.4 from L977.9.

Analysts said the cut in the repo rate showed that the Bundesbank was prepared to continue cutting rates despite poor money supply figures. German M3 money supply for February grew at an annualised 17.6 per cent, far above the Bundesbank's growth target of four to six per cent, but slower than January's 21.2 per cent.

German call money remained tight at the 6.75 per cent Lombard rate, with banks under pressure to ensure they have secured sufficient month-end funds.

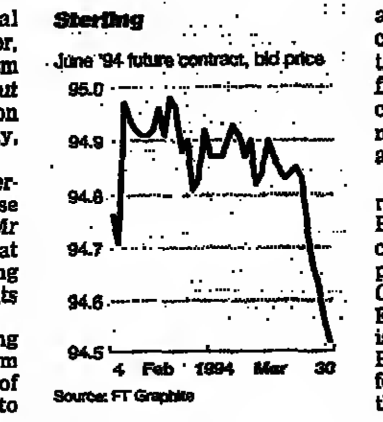
Sentiment in the futures market was more positive with the June euromark contract a point firmer at 94.52 and the December contract six basis points higher at 94.91.

■ The dollar finished higher against the weaker D-Mark, closing at DM1.6788 from DM1.6675. Against the yen, however, it finished lower, closing in London at Y103.490 from Y103.600.

With the US-Japan trade row having returned to centre stage, Mr Steve Hannah, director of research at IBJ International, said it looked as if the yen would make another run at the all time high of Y101.3 against the dollar.

The US administration on Tuesday dismissed a Japanese market-opening package as "of little substance". Mr Hannah said it was clear "this dispute is going to smoulder on for some time".

Traders said the recent volatility in the yen reflected end of quarter balance sheet manipulation by Japanese companies, and speculators probing to see at what levels the Bank of Japan was prepared to intervene to support the dollar.



Source: FT Graphite

■ Pound in New York

Mar 30	—Latest—	– Prev. close –
£ spot	1.4825	1.4850
1 mth	1.4806	1.4831
3 mth	1.4772	1.4796
1 yr	1.4696	1.4713

■ OTHER CURRENCIES

Mar 30	£	$
Hungary	151.915 - 152.166	102.750 - 102.850
Iran	2612.00 - 2618.00	1748.00 - 1750.00
Kuwait	0.4384 - 0.4399	0.2965 - 0.2973
Poland	32550.6 - 32572.6	22016.0 - 22016.0
Russia	2586.77 - 2591.21	1749.00 - 1752.00
UAE	5.4389 - 5.4501	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Mar 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4722	-0.0359	626 - 818	17.5112	17.3986	17.4684	0.3	17.4628	0.2	-	-	113.9
Belgium	(BFr)	51.1668	-0.1139	265 - 070	51.3019	50.9257	51.2118	-1.1	51.2868	-0.9	51.4868	-0.6	115.0
Denmark	(DKr)	9.7728	-0.0423	680 - 776	9.7944	9.7384	9.7829	-1.2	9.7982	-1.0	9.806	-0.3	114.6
Finland	(FM)	8.1610	-0.0587	508 - 711	8.2230	8.1440	-	-	-	-	-	-	81.1
France	(FFr)	8.4889	-0.0334	839 - 938	8.5137	8.4507	8.4958	-0.9	8.5093	-1.0	8.5252	-0.4	109.1
Germany	(DM)	2.4829	-0.008	817 - 841	2.4898	2.4718	2.4838	-0.4	2.4852	-0.4	2.48	0.1	123.4
Greece	(Dr)	365.905	-0.765	707 - 102	368.369	363.041	-	-	-	-	-	-	-
Ireland	(I£)	1.0366	-0.0003	353 - 378	1.0378	1.0307	1.0373	-0.8	1.0386	-0.8	1.0435	-0.7	102.2
Italy	(L)	2417.28	-16.9	557 - 898	2432.75	2408.65	2423.48	-3.1	2438.38	-3.2	2482.08	-2.7	77.0
Luxembourg	(LFr)	51.1668	-0.1139	265 - 070	51.3018	50.9257	51.2118	-1.1	51.2868	-0.9	51.4868	-0.6	115.0
Netherlands	(Fl)	2.7913	-0.0077	896 - 930	2.7996	2.7801	2.7917	-0.2	2.7916	0.0	2.7882	0.1	118.2
Norway	(NKr)	10.8127	-0.0363	075 - 178	10.8390	10.7690	10.807	0.6	10.8196	-0.3	10.8107	0.0	84.9
Portugal	(Es)	256.311	-1.022	928 - 693	258.945	255.928	257.286	-4.6	259.231	-4.6	-	-	-
Spain	(Pta)	202.949	-1.328	806 - 091	203.827	202.571	203.454	-3.0	204.439	-2.9	207.899	-2.4	85.4
Sweden	(SKr)	11.6842	-0.0976	547 - 737	11.7290	11.6340	11.6852	-2.2	11.7212	-2.0	11.8402	-1.5	76.2
Switzerland	(SFr)	2.1047	-0.0139	032 - 061	2.1137	2.0996	2.103	1.0	2.0986	1.2	2.0741	1.5	118.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.4
Ecu	-	1.2891	-0.0034	883 - 898	1.2921	1.2837	1.2903	-1.1	1.2923	-1.0	1.2955	-0.5	-
SDR†	-	0.944632	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4775	-0.0137	755 - 795	1.4864	1.4741	-	-	-	-	-	-	-
Brazil	(Cr)	1350.86	+14.99	039 - 132	1352.00	1316.00	-	-	-	-	-	-	-
Canada	(C$)	2.0383	-0.0153	371 - 395	2.0456	2.0300	2.0372	0.6	2.037	0.3	2.0418	-0.2	87.3
Mexico	(New Peso)	4.9659	-0.0418	604 - 714	4.9869	4.9529	-	-	-	-	-	-	-
USA	($)	1.4790	-0.0137	785 - 795	1.4864	1.4740	1.4771	1.5	1.4736	1.5	1.465	0.9	65.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1087	-0.005	062 - 112	2.1203	2.1025	2.1062	0.9	2.1069	0.7	2.1039	0.3	-
Hong Kong	(HK$)	11.4288	-0.1043	222 - 314	11.4889	11.3896	11.4138	1.4	11.4084	0.6	11.3593	0.6	-
India	(Rs)	46.3962	-0.4264	768 - 156	46.6280	46.2610	-	-	-	-	-	-	-
Japan	(Y)	153.062	-1.577	951 - 173	153.730	151.780	152.702	2.8	151.962	3.1	148.327	3.1	187.9
Malaysia	(M$)	3.9741	-0.0359	713 - 769	3.9954	3.9621	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6348	-0.0065	322 - 373	2.6392	2.6164	2.6377	-1.3	2.642	-1.1	2.6506	-0.5	-
Philippines	(Peso)	40.7835	-0.3764	109 - 561	41.5109	40.0561	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5466	-0.0511	445 - 487	5.5740	5.5282	-	-	-	-	-	-	-
Singapore	(S$)	2.3221	-0.0791	205 - 238	2.3308	2.3137	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1462	-0.0009	422 - 501	5.1524	5.0942	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2767	+0.1567	688 - 865	7.2898	7.0758	-	-	-	-	-	-	-
South Korea	(Won)	1193.70	-10.42	316 - 425	1199.00	1189.81	-	-	-	-	-	-	-
Taiwan	(T$)	39.0012	-0.4048	880 - 144	39.2300	38.8700	-	-	-	-	-	-	-
Thailand	(Bt)	37.3152	-0.3369	878 - 426	37.4870	37.2040	-	-	-	-	-	-	-

†SDR rate for Mar 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.8135	+0.084	110 - 160	11.8300	11.7850	11.832	-1.9	11.8607	-1.6	11.8722	-0.5	103.2
Belgium	(BFr)	34.5955	+0.24	800 - 110	34.8380	34.4100	34.6755	-2.8	34.7905	-2.3	35.0555	-1.3	104.5
Denmark	(DKr)	6.6077	+0.0321	067 - 087	6.6159	6.5799	6.6234	-2.9	6.6479	-2.4	6.6907	-1.3	103.3
Finland	(FM)	5.5179	+0.0111	129 - 229	5.5547	5.5129	5.5246	-1.5	5.5324	-1.1	5.5441	-0.5	75.8
France	(FFr)	5.7396	+0.0301	382 - 410	5.7495	5.7110	5.7521	-2.6	5.7748	-2.4	5.8189	-1.3	104.5
Germany	(D)	1.6788	+0.0113	785 - 790	1.6822	1.6712	1.6818	-2.1	1.686	-1.7	1.6916	-0.8	105.0
Greece	(Dr)	247.400	+1.75	350 - 450	247.800	244.670	250.7	-16.0	258.15	-17.4	285.65	-15.5	70.3
Ireland	(I£)	1.4269	-0.0127	258 - 281	1.4380	1.4256	1.4238	2.8	1.4194	2.4	1.4035	1.8	-
Italy	(L)	1634.40	+3.62	380 - 500	1639.00	1630.00	1640.85	-4.7	1653.3	-4.6	1693.15	-3.6	77.3
Luxembourg	(LFr)	34.5955	+0.24	800 - 110	34.8380	34.4100	34.6755	-2.8	34.7905	-2.3	35.0555	-1.3	104.5
Netherlands	(Fl)	1.8873	+0.0121	868 - 878	1.8905	1.8788	1.8902	-1.9	1.8945	-1.6	1.8999	-0.7	103.9
Norway	(NKr)	7.3103	+0.0432	098 - 118	7.3230	7.2645	7.3235	-2.1	7.3468	-2.0	7.3858	-1.0	95.0
Portugal	(Es)	173.300	+0.9	100 - 500	175.200	173.100	174.215	-6.3	175.83	-5.8	180.975	-4.4	92.6
Spain	(Pta)	137.220	+0.365	170 - 270	137.670	137.170	137.75	-4.6	138.73	-4.4	141.82	-3.4	89.8
Sweden	(SKr)	7.8996	+0.0068	828 - 903	7.9144	7.8748	7.9118	-3.8	7.9544	-3.4	8.0776	-2.4	81.2
Switzerland	(SFr)	1.4230	+0.0037	225 - 235	1.4260	1.4195	1.4238	-0.7	1.4242	-0.3	1.4156	0.5	104.1
UK	(£)	1.4790	-0.0137	785 - 795	1.4864	1.4740	1.4771	1.5	1.4736	1.5	1.465	0.9	68.3
Ecu	-	1.1474	-0.0075	471 - 476	1.1520	1.1462	1.1447	2.8	1.1403	2.5	1.1313	1.4	-
SDR†	-	1.41232	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-	980 - 000	1.0000	0.9980	-	-	-	-	-	-	-
Brazil	(Cr)	913.360	+18.395	355 - 365	913.400	913.350	-	-	-	-	-	-	-
Canada	(C$)	1.3782	+0.0024	778 - 785	1.3792	1.3758	1.3794	-1.0	1.3826	-1.2	1.3932	-1.1	83.7
Mexico	(New Peso)	3.3576	+0.0027	550 - 602	3.3602	3.3495	3.3586	-0.4	3.3604	-0.3	3.3678	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.5
Pacific/Middle East/Africa													
Australia	(A$)	1.4264	+0.0087	259 - 269	1.4278	1.4168	1.4276	-1.1	1.4323	-1.7	1.4429	-1.2	85.9
Hong Kong	(HK$)	7.7260	+0.0008	255 - 265	7.7265	7.7260	7.729	-0.5	7.735	-0.5	7.7597	-0.4	-
India	(Rs)	31.3700	+0.0012	675 - 725	31.3775	31.3675	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	103.490	-0.11	450 - 530	103.850	102.400	103.395	1.1	103.075	1.6	101.26	2.2	148.3
Malaysia	(M$)	2.6870	+0.0005	860 - 880	2.6930	2.6810	2.68	3.1	2.6845	3.3	2.727	-1.5	-
New Zealand	(NZ$)	1.7814	+0.0126	803 - 825	1.7835	1.7693	1.7826	-0.8	1.7871	-1.3	1.809	-1.6	-
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0001	501 - 504	3.7504	3.7501	3.751	-0.2	3.7539	-0.3	3.7646	-0.4	-
Singapore	(S$)	1.5700	+0.0013	695 - 705	1.5705	1.5675	1.5694	0.5	1.5689	0.3	1.5675	0.2	-
S Africa (Com.)	(R)	3.4795	+0.0312	780 - 810	3.4810	3.4480	3.496	-5.7	3.522	-4.8	3.615	-3.9	-
S Africa (Fin.)	(R)	4.9200	+0.15	150 - 250	4.9325	4.7800	4.954	-8.3	5.014	-7.6	-	-	-
South Korea	(Won)	807.100	+0.4	000 - 200	807.100	806.400	810.1	-4.5	813.6	-3.2	832.1	-3.1	-
Taiwan	(T$)	26.3700	-0.03	700 - 700	26.3900	26.3700	26.4355	-3.0	26.536	-2.5	-	-	-
Thailand	(Bt)	25.2300	+0.005	200 - 400	25.2300	25.2200	25.31	-3.8	25.435	-3.3	25.955	-2.9	-

†SDR rate for Mar 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 29. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.59	4.852	2.027	4723	5.454	21.13	500.9	396.6	22.79	4.114	1.954	3.983	2.890	299.2	2.519
Denmark	(DKr)	52.36	10	8.686	2.541	1.061	2473	2.858	11.06	262.3	207.6	11.93	2.154	1.023	2.085	1.513	156.7	1.318
France	(FFr)	60.28	11.51	10	2.925	1.222	2847	3.288	12.73	301.9	239.0	13.74	2.480	1.178	2.401	1.742	180.4	1.518
Germany	(DM)	20.61	3.936	3.418	1	0.418	973.4	1.124	4.354	103.2	81.72	4.696	0.848	0.403	0.821	0.596	61.66	0.518
Ireland	(I£)	49.34	8.424	8.168	2.394	1	2331	2.691	10.42	247.2	195.7	11.24	2.030	0.964	1.965	1.426	147.6	1.243
Italy	(L)	2.117	0.404	0.351	0.103	0.043	100.	0.115	0.447	10.60	8.395	0.482	0.087	0.041	0.084	0.061	6.334	0.053
Netherlands	(Fl)	18.33	3.502	3.042	0.890	0.372	866.0	1	3.873	91.83	72.70	4.178	0.754	0.368	0.730	0.530	54.85	0.462
Norway	(NKr)	47.34	9.041	7.853	2.297	0.959	2236	2.582	10	237.1	187.7	10.79	1.947	0.925	1.885	1.368	141.6	1.192
Portugal	(Es)	19.96	3.813	3.312	0.969	0.405	943.0	1.089	4.216	100.	79.17	4.549	0.821	0.390	0.795	0.577	59.73	0.503
Spain	(Pta)	25.22	4.817	4.184	1.224	0.511	1181	1.376	5.328	126.3	100.	5.747	1.037	0.493	1.004	0.729	75.46	0.635
Sweden	(SKr)	43.89	8.382	7.280	2.130	0.889	2073	2.394	9.271	219.8	174.0	10	1.805	0.858	1.748	1.268	151.3	1.105
Switzerland	(SFr)	24.31	4.643	4.033	1.180	0.493	1148	1.326	5.135	121.8	96.39	5.539	1	0.475	0.968	0.703	72.73	0.612
UK	(£)	51.17	9.773	8.489	2.483	1.037	2417	2.791	10.81	256.3	202.9	11.66	2.105	1	2.038	1.479	153.1	1.289
Canada	(C$)	25.11	4.795	4.165	1.218	0.509	1186	1.369	5.304	125.8	99.56	5.721	1.033	0.491	1	0.726	75.12	0.632
US	($)	34.60	6.608	5.740	1.678	0.701	1634	1.887	7.309	173.3	137.2	7.884	1.423	0.676	1.378	1	103.5	0.872
Japan	(Y)	334.2	63.83	55.45	16.22	6.773	15787	18.23	70.61	1674	1325	76.18	13.75	6.532	13.31	9.660	1000.	8.418
Ecu		39.70	7.582	6.586	1.926	0.804	1875	2.165	8.386	198.5	157.4	9.046	1.633	0.776	1.581	1.147	118.8	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5946	0.5933	-0.0006	0.5960	0.5926	45,552	99,026
Sep	-	0.5911	-	-	0.5911	88	2,583
Dec	-	0.5914	-0.0018	-	-	6	115

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7020	0.7015	+0.0010	0.7039	0.7006	19,675	35,759
Sep	-	0.7030	-	0.7030	0.7015	10	274
Dec	-	0.7040	-	0.7040	0.7030	3	45

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9684	0.9731	+0.0047	0.9796	0.9680	25,510	50,789
Sep	0.9740	0.9787	+0.0048	0.9820	0.9740	313	2,077
Dec	-	0.9835	-	0.9835	-	17	421

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4796	1.4740	-0.0036	1.4830	1.4702	23,889	30,589
Sep	-	1.4690	-	-	1.4690	77	682
Dec	-	1.4650	-	-	1.4650	21	30

EMS EUROPEAN CURRENCY UNIT RATES

Mar 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.16800	+0.00007	-1.31	6.32	-
Germany	1.94964	1.92818	+0.00034	-1.10	5.10	-
Belgium	40.2123	39.7359	+0.0229	-1.18	5.18	8
Ireland	0.808628	0.803189	+0.002495	-0.67	4.65	5
France	6.53883	6.59160	-0.00362	0.81	3.11	-7
Denmark	7.43679	7.58815	-0.00963	2.01	1.90	-14
Spain	154.250	157.955	-0.248	2.40	1.51	-17
Portugal	192.854	200.462	+1.149	3.94	0.00	-26
NON ERM MEMBERS						
Greece	264.513	283.636	-0.034	7.23	-3.06	-
Italy	1793.18	1877.35	-6.56	4.69	-0.71	-
UK	0.786749	0.775297	+0.002128	-1.46	5.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.400	7.42	7.36	7.44	-	0.08	0.35
1.425	4.97	5.13	5.39	-	0.34	0.79
1.450	2.70	3.20	3.64	0.23	0.91	1.51
1.475	1.04	1.77	2.31	1.01	1.92	2.56
1.500	0.25	0.85	1.36	2.67	3.43	4.06
1.525	0.01	0.34	0.72	4.92	5.41	5.93

Previous day's vol., Calls 6,548 Puts 5,250. Prev. day's open int., Calls 465,444 Puts 413,217

WORLD INTEREST RATES

MONEY RATES

[illegible]

■ $ LIBOR FT London Interbank Fixing

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.16	0.23	0.19	0.18	0.43	0.73
9475	0.06	0.14	0.13	0.31	0.59	0.92
9500	0.03	0.08	0.07	0.51	0.78	1.11

Est. vol. total, Calls 8900 Puts 46692. Previous day's open int., Calls 145804 Puts 143288

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 30 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 30 / Frs.)

[illegible]

DENMARK (Mar 30 / Kr)

[illegible]

FINLAND (Mar 30 / Mka)

[illegible]

FRANCE (Mar 30 / Frs.)

[illegible]

GERMANY (Mar 30 / Dm)

[illegible]

ITALY (Mar 30 / Lire)

[illegible]

NETHERLANDS (Mar 30 / Fls.)

[illegible]

NORWAY (Mar 30 / Kroner)

[illegible]

SPAIN (Mar 30 / Pts.)

[illegible]

SWEDEN (Mar 30 / Kronor)

[illegible]

SWITZERLAND (Mar 30 / Frs.)

[illegible]

PACIFIC

JAPAN (Mar 30 / Yen)

[illegible]

AUSTRALIA (Mar 30 / Aust$)

[illegible]

HONG KONG (Mar 30 / H.K.$)

[illegible]

MALAYSIA (Mar 30 / MYR)

[illegible]

SINGAPORE (Mar 30 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Mar 30 / Can $)
3:15 pm

[illegible]

MONTREAL (Mar 30 / Can $)
3:15 pm

[illegible]

AFRICA

SOUTH AFRICA (Mar 30 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Wednesday, March 30, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NEC	6.6m	1100	–20	Fujitsu	3.6m	1020	
Ricoh	4.6m	830	–8	Toshiba	3.6m	762	–17
Nippon Steel	4.4m	330	–2	Itochu	2.9m	696	+17
Matsushita	4.0m	1730	–10	NKK	2.8m	250	–10
Hitachi	4.0m	935	–15	Sanyo Electric	2.8m	486	–9

INDICES

	Mar 30	Mar 29	Mar 28	1994 High		1994 Low	
[illegible]							
Taiwan Weighted Pr.(30/6/66)	5320.08	(c)	5331.90	6484.52	6/1	5094.63	19/3
Thailand Bangkok SET (30/4/75)	1247.33	1253.61	1248.34	1753.73	4/1	1204.32	21/3
Turkey Istanbul Cap.(Jan 1986)	13649.5	13841.8	14214.10	[illegible]	13/1	12980.79	24/3
WORLD MS Capital Int (1/1/70)$	(c)	612.2*	613.3	641.09	1/2	588.80	3/1
CROSS-BORDER Eurotrack 100(26/10/90)	1416.70	1421.05	1436.59	1548.39	31/1	1383.69	2/3
Euro Top–100 (26/6/90)	1211.25	1217.11	1229.81	1311.01	2/2	1202.49	2/3
JCapeDigs (31/12/88)	(c)	310.62	303.88	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	155.81	156.96	159.01	182.72	14/2	152.76	22/3

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	2096.0	2083.0	–38.0	2105.0	2060.0	44,032	20,203
Apr	2105.5	2082.0	–37.0	2115.0	2069.0	18,463	14,981
May	2109.5	2086.0	–37.5	2115.0	2062.0	793	8,195

Open Interest figures for previous day.

US INDICES

Dow Jones	Mar 29	Mar 28	Mar 25	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3699.02	3762.35	3774.73	3978.36 (31/1)	3699.02 (29/3)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	101.19	101.58	101.69	105.61 (21/1)	101.19 (29/3)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1675.36	1710.89	1714.88	1862.29 (2/2)	1675.36 (29/3)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	201.23	205.44	202.15	227.88 (3/1)	201.23 (29/3)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3771.86 (3793.45) Low 3689.02 (3719.74) (Theoretical♦)
Day's high 3763.51 (3779.83) Low 3696.15 (3728.96) (Actual♦)

Standard and Poors	Mar 29	Mar 28	Mar 25	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	452.48	460.00	460.58	482.00 (2/2)	452.48 (29/3)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	528.89	537.82	538.45	560.59 (2/2)	529.02 (29/3)	560.59 (2/2/94)	3.62 (21/6/82)
Financial♥	42.60	43.32	43.33	48.48 (31/1)	42.60 (29/3)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.30	256.50	256.29	267.71 (2/2)	251.30 (29/3)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	454.43	462.21	466.43	487.86 (2/2)	454.43 (29/3)	487.86 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	755.29	772.50	785.45	803.93 (18/3)	755.29 (29/3)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Mar 25	Mar 18	Mar 11	Year ago
Dow Jones Ind. Div. Yield	2.70	2.62	2.61	2.96
	Mar 23	Mar 16	Mar 9	Year ago
S & P Ind. Div. yield	2.39	2.37	2.37	2.49
S & P Ind. P/E ratio	24.83	24.58	24.53	26.13

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	451.85	452.15	+0.45	452.80	450.60	91,738	183,443
Sep	-	453.60	–9.80	-	-	951	5,644
Dec	-	455.90	–9.80	-	-	93	4,491

Open Interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	8,003,400	59⅝	–¾
Chrysler	4,071,400	52¼	–2¼
Sunbeam Oat	3,787,400	19	–¾
Rouge Steel	3,732,300	22	——
IBM	3,159,000	52⅝	-1
Grupo Tribasa	2,865,800	28½	-2¼
GTE Corp	2,633,100	31¼	–⅜
Comp Assoc	2,505,100	31⅞	-1
Philip Morris	2,501,200	50	-1¼
Merck	2,486,400	30¼	-¾

■ TRADING ACTIVITY

● Volume (million)

	Mar 29	Mar 28	Mar 25
New York SE	297.182	283.853	240.532
Amex	17.305	19.809	15.248
NASDAQ	309.556	300.924	281.286
NYSE			
Issues Traded	2,777	2,782	2,728
Rises	271	649	848
Falls	2,026	1,561	1,187
Unchanged	480	572	693
New Highs	5	16	34
New Lows	225	136	88

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.) ♥ Subject to official recalculation.

...values of all indices are 100 except Australia All Ordinary ... Euro Top-100, ISEQ Overall; Toronto Comp./Metals & ... All Common – 50 and Standard and Poor's – 10. §§ ... Mar 30 – 2161.04 –10.98

3:15 pm March 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	14⅛	AAR	0.48	3.1	518	189	15⅞	15¼	15½	-½
16⅞	14	A L Labs A x	0.18	1.1	27	299	16½	16¼	16¼	-⅛
65½	60⅝	AMP	1.68	2.7	21	1080	d1⅞	d1⅜	d1¼	-⅞
72¾	58½	AMR			27	4914	58¾	d57	57⅞	-1⅛
5	3⅝	ARX			15	272	4⅜	4¼	4⅜	
56⅛	44⅛	ASA	2.00	4.6	28	499	44⅜	d43¼	43⅞	-1⅛
30⅝	26⅛	AbbotL	0.76	2.8	16	11615	23¼	27¾	27⅞	-⅛
13¾	11⅞	Abitibi Pr	0.50	4.0	6	148	12⅝	12½	12⅝	+⅛
13¾	11⅛	Acpincoln			21	15	11¾	11¾	11¾	
31	25¾	ACE Ltd x	0.40	1.5	4	1338	27	26¼	26¾	
12½	11¼	ACM Gvt In x	1.09	10.2		1497	11⅛	d10⅝	10¾	-½
10⅛	8⅞	ACM GvOpp x	0.00	0.8		00	8⅞	d8¼	8⅞	-⅛
10⅝	9⅛	ACM Gvt Sp x	0.96	10.8		534	8	d8¼	8⅞	-¼
12	10¼	ACM Gvt Se x	1.00	10.8		497	10¼	d10	10⅛	-⅛
11¾	9⅝	ACM Man x	1.00	11.2		143	9¾	d9⅝	9⅝	-⅛
9¼	8¼	ACM Managd x	0.72	0.7		88	8⅞	d8¼	8¼	
10⅝	8¾	AcmeCv	0.44	4.8	11	143	9⅛	d8¾	9¼	+⅛
8½	7¼	Acme Elect			32	17	7⅞	7½	7½	-⅛
28¼	28	Acordia	0.60	2.2	13	52	27½	26¾	26¾	-½
6¼	6¼	Actava	0.36	5.4	2	198	6¾	6½	6⅝	-⅛
13⅞	11¼	Acuson			97	137	12¼	12⅝	12⅝	
18⅞	17	Adams Expr	0.00	2.1	0	309	11	d10⅞	16⅞	-⅞
64	46½	Ad Micro	3.00	4.9		473	62½	59	61½	+2¼
21⅞	18¾	AdvMic	3.00	9.8	13	17521	31	29⅞	30⅝	+1⅞
6⅞	6¼	Advest Grp	0.10	2.6	0	28	6⅞	d6¼	6¼	
20	16¾	Advo Inc x	0.10	0.6	110	82	18¼	17½	11¾	-⅛
57⅛	49⅞	Aegon ADR	1.23	2.5	11	70	50½	49½	49⅞	-⅛
65¾	54	AetnaL	2.70	5.1	10	1863	54⅞	d52⅞	53⅝	-⅛
31⅞	25¼	Aflac	0.40	1.3	13	2467	30⅜	30¼	30½	-⅛
[illegible]										

TECHNOLOGY THAT WORKS FOR LIFE

Samsung Personal Fax

Telephone Answering Machine
Automatic Paper Cutter
60 Locations Automatic Dial

SAMSUNG
ELECTRONICS

Continued on next page

3:15 pm March 30

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- T -

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- V -

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Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

3:15 pm March 30

[illegible]

NASDAQ NATIONAL MARKET

3:15 pm March 30

[illegible]

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AMERICA

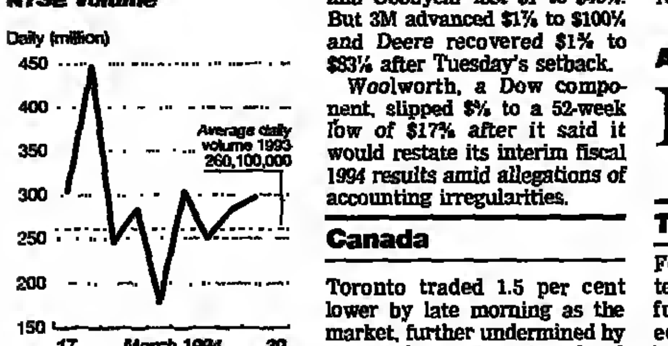
Ms Garzarelli helps Dow to another slide

Wall Street

US stocks continued to suffer heavy losses yesterday morning after a prominent Wall Street strategist warned that the current market downturn may prove to be more severe than she initially thought, *writes Frank McGurty in New York.*

By midday, the Dow Jones Industrial Average was 24.19 lower at 3,675.41, while the more broadly based Standard & Poor's 500 was down 2.58 at 449.90. The damage in the secondary markets was even greater. The American SE composite plunged 7.98, or 1.7 per cent, to 446.95, while the Nasdaq composite shed another 9.73, or 1.2 per cent, to 745.68, after dropping more than 17 points the previous session.

NYSE volume



Source: Datastream

Volume of 203m shares on the NYSE by midday was heavy. Declining issues overwhelmed advances for a second day running, by 1,858 to 379.

From the opening bell, stocks came under fire as the bearishness that pushed the blue-chip index down 63 points on Tuesday showed no signs of dissipating.

The immediate catalyst yesterday was news that Ms Elaine Garzarelli, a highly respected analyst at Lehman Brothers in New York, had grown more pessimistic about the extent to which the market would *fall* from the peak reached at the end of January. Ms Garzarelli said she believed the current slide in the Dow industrials, now about 7 per cent, may be only half over.

Her comments brought a quick response on the trading floor. Within an hour, the Dow plunged 54 points, triggering the NYSE's uptick rule, which restricts program-guided sales. But investors were able to staunch the slide and the blue chips trimmed their losses before the afternoon session commenced.

Cyclical stocks were mixed after a week of heavy losses. Alcoa dropped $1⅝ to $73, General Electric shed $1⅞ to $101 and Goodyear lost $1 to $40⅞. But 3M advanced $1⅞ to $100⅞ and Deere recovered $1⅞ to $83½ after Tuesday's setback.

Woolworth, a Dow component, slipped $⅝ to a 52-week low of $17⅞ after it said it would restate its interim fiscal 1994 results amid allegations of accounting irregularities.

Canada

Toronto traded 1.5 per cent lower by late morning as the market, further undermined by the weak currency and bond markets, extended Tuesday's broadly based sell-off. By 11am the TSE-300 composite index was 64.15 lower at 4,329.46 in volume of 32.9m shares.

Brazil

São Paulo saw shares ease from an early high, and a gain of 4.5 per cent at 10am local time on the overnight news that Mr Fernando Henrique Cardoso, Brazil's finance minister, had officially announced his presidential candidacy.

Three hours later the gain was 1.4 per cent, with the Bovespa index up 209 at 14,617. *Some fund managers* had lightened positions ahead of the end of the month, hitting the index in a period of thin, pre-holiday trading and weak liquidity.

EUROPE

Bourses volatile, mostly weaker after US losses

Wall Street's overnight losses on Tuesday, the steady opening in the US bond market yesterday and the subsequent, continued weakness in US equities left bourses volatile, but generally lower, *writes Our Markets Staff.*

FRANKFURT shelved Tuesday's apparent switch from cyclicals into defensive, or interest rate-sensitive stocks and dropped in most sectors, the Dax index falling 20.82 points to 2,147.53, mounting post-bourse recovery and then subsiding to close with the Ibis indicated Dax at 2,151.84.

Turnover fell from DM8.2bn to DM7.5bn. Another small cut in repo rates, and a higher dividend did nothing for Deutsche Bank, which fell DM5 to DM795.50; but BHF Bank, with higher than expected profits, rose another DM12.50 to DM449 for a two-day gain of DM20.

BHF said yesterday that Metallgesellschaft, of which it is a major creditor, had a good chance of survival after its recent disasters. Metallgesellschaft itself said that its group operating loss narrowed by 38 per cent in the first five months of 1993-94, and rose DM7.60 to DM196.50, up DM17.50 this week.

PARIS dropped 1.9 per cent to a new 1994 closing low, suffering from the sea-change in opinion which has seen it *move from strategic favour* at the beginning of this year to the wrong end of a switch into Italy.

The CAC 40 index fell 39.37 to at 2,083.87. Oils were still suffering from Opec's failure to cut production levels, and Total compounded this by suffering from rights issue talk, falling FFr12.30 to FFr298.20. Elf Aquitaine dropped FFr9 to FFr378, below its privatisation sale price of FFr385.

Nor were stocks helped by the corporate results season. Pernod Ricard, the drinks company, fell FFr11 to FFr382; its results, after hours, were in line with expectations. Pinault Printemps, the retail group, lost FFr34 at FFr915 with its results due today.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Mar 30 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1410.18	1407.50	1408.71	1406.77	1408.90	1412.83	1415.40	1416.70
FT-SE Eurotrack 200	1436.84	1432.75	1432.31	1434.70	1437.74	1440.51	1443.06	1446.58

	Mar 29	Mar 28	Mar 25	Mar 24	Mar 23
FT-SE Eurotrack 100	1421.05	1436.59	1412.48	1425.41	1445.73
FT-SE Eurotrack 200	1452.67	1466.31	1448.55	1454.56	1478.00

Base 1000 (26/10/90). High: [illegible] 1417.05; 200 - 1446.58 Low/day: 100 - 1405.71 200 - 1430.57

MADRID, not surprisingly, was more comfortable with domestic, rather than international concerns as it, too, hit a 1994 low, the general index dropping 5.00 to 319.48 in turnover of Pta40bn.

Influenced by the US declines, Telefónica dropped Pta100 to Pta1,665. However, Fecsa, the electrical utility which said yesterday that it would raise its 1993 dividend by 60 per cent, managed to rise Pta15 to Pta1,020 against the trend.

MILAN continued upward, the Comit index adding 1.72 to 695.54, on the perception that *the right-wing Freedom Alliance* was making progress *towards forming a government.*

Mr James Cornish at NatWest Securities recommended, given current uncertainties, taking some profits at current levels. "A serious dip in the bond and equity markets would, however, be a buying opportunity," he added. "Longer term, further successful privatisation and the improving economic fundamentals should ensure a return of the Italian equity and bond market to outperformance."

Insurers were the day's biggest beneficiaries on hopes that they would gain from any move towards private pensions. RAS rose L1,547 or 6.1 *per cent to L27,125, Fondiaria* put on L559 or 4.7 per cent to L12,438 and Generali added L1,740 or 2.5 per cent to L40,876.

Pirelli rose L86 or 3.4 per cent to L2,583 after the announcement that it was launching a L1,000bn bond: investors welcomed the news that the group wanted to move *into telecommunications.*

Olivetti dipped L69 or 2.6 per cent to *L2,571* on *profit-taking* after the strong run-up to Monday's *news that it had* been granted Italy's second mobile telephone licence.

AMSTERDAM's AEX index finished 3.19 lower at 404.71. The market was supported by some light bargain hunting and demand for stocks which trade ex-dividend next month.

Mr Marc Slendehroek at Kleinwort Benson, who has revised his Dutch market weighting to neutral from overweight, commented that given the continuous drain on liquidity by cash calls and the depressed dollar, there was little potential for the Dutch market to outperform.

VNU went against the trend, rising Fl.6.70 to Fl 175.70 following the announcement that it had priced its planned 3m share issue at Fl 169.

ZURICH reduced some of its early losses in a technical rebound which left the SMI index to close 12.9 down at 2,814.5, after a low of 2,783.1.

Ciba registered, the most *active stock, bucked the trend* rising SFr13 to SFr877 and halting the *profit-taking that* followed Tuesday's results. Many investors are seen as underweight in the company which is likely to benefit from a pick-up in industrial activity.

HELSINKI continued the painful reassessment of its own, and international interest rate prospects, the Hex index falling 36.4 to 1,766.8.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei declines on US-Japan trade tensions

Tokyo

Fears of mounting US-Japan tensions over trade spurred a further rise in the yen, and equities closed moderately lower after an early fall of more than 2 per cent, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost a net 149.83 at 19,559.91 after opening at the day's high of 19,640.53. The index dropped to a low for the session of 19,288.86 in the morning as the yen peaked at Y102.52 to the dollar on speculation that the US government will attempt to talk up the Japanese currency, due to dissatisfaction with Japan's trade package, announced on Tuesday.

Criticism of the measures was voiced by Mr Mickey Kantor, US Trade Representative in Washington, and Mr Walter Mondale, the US ambassador to Japan, in a morning meeting in Tokyo. However, the yen lost some of its steam and finished a net Y0.50 up at Y103.30.

The Topix index of all first section stocks fell 8.29 to 1,588.22 and the Nikkei 300 slipped 1.48 to 290.99. [illegible]ines led advances by 792 to 241, with 144 issues unchanged. In London the ISE Nikkei 50 index shed 4.97 to 1,303.42.

Volatility on the currency markets kept many investors on the sidelines and trading volume totalled 330m shares against 254m. Small-lot buying by public funds and financial *institutions in the afternoon* helped to remove some of the uncertainty.

Export oriented high-technology shares lost ground on the higher yen. NEC, the day's most active issue, retreated Y20 to Y1,100 and Ricoh, which rose on firm earnings prospects earlier in the week, met profit-taking and dipped Y8 to Y830. Matsushita Electric Industrial receded Y10 to Y1,730 and Sony Y80 to Y6,050. The high yen also hurt steels, NKK losing Y10 at Y250.

Some trading houses were higher on the multimedia [illegible]ine. Many of the companies are investing in cable television, and forming alliances with satellite-related companies. Itochu rose Y17 to Y698 and Mitsubishi Y30 to Y1,150.

Drug stocks, unaffected by currency movements, were popular. Takeda Chemical moved forward Y10 to Y1,230 and Daiichi Pharmaceutical Y20 to Y1,53[illegible].

In Osaka, the OSE average declined 270.53 to 21,750.08 in volume of 86.3m shares. The index fell through 22,000 for the first time in three weeks.

Roundup

The region produced varied reactions, or a lack of them, to the overnight slide on Wall Street.

HONG KONG dropped on the US sell-off, and on measures to curb domestic property prices, the *Hang Seng index tumbling* 247.93, or 2.6 per cent, to 9,232.21.

Turnover was flat, and low at HK$4.5bn. During late trade the government announced the *setting up of a task force in the* next few months to make proposals for the improvement of residential land supply. It also plans to speed up the release of sites in the remote Tin Shui Wai area.

Major property stocks all fell. Cheung Kong relinquished HK$1.25 at HK$40.25, New World HK$1 at HK$28.10 and Sun Hung Kai Properties HK$1.50 at HK$54.50.

NEW ZEALAND ended 1.9 per cent lower in line with *overseas trends*, and as investors reassessed fixed-interest alternatives following the sharp rise in interest rates over the past few weeks.

The NZSE-40 index fell 39.32 to 2,076.23. Higher rates, in particular, were largely responsible for weakness in stocks with high dividend yields such as Telecom. The company also ran into strike news as it ended 10 cents down at NZ$5.10 but off its low of NZ$4.95.

AUSTRALIA clawed back early sharp losses sustained in response to Wall Street, the All *Ordinaries index closing a net* 8.4 off at 2,092.4. An improving bond market, *comments by Mr* Bernie Fraser, the Reserve *Bank* governor, that a rise in official interest rates is some way off, and current account data in line with expectations, all contributed to the subsequent recovery.

MANILA, normally sensitive to US influences, saw Philippine Long Distance Telephone slightly higher *in New York* overnight, and unchanged at *home at 1,740 pesos. The* composite index rose to 2,726 and then hit profit-taking to end 37 up at 2,711.50.

SINGAPORE's brokers gave a polite nod in the Dow's direction but institutions were buying the market and bargain hunters also came in. The Straits Times Industrial index finished 34.67, or 1.7 per cent, *ahead* at 2,128.39 *after* sharp falls last week and on Monday.

COLOMBO extended its correction, the all-share index falling a further 13.64 to 1,183.07.

Weak currency helps bolster Johannesburg

A sharply weaker financial rand *and some bargain hunt*ing helped pare losses in *Johannesburg, still very ner*vous after the week's political developments.

Wall Street's overnight dro[p] and the lower gold bullio[n] price took an early toll. Th[e] weaker financial rand wa[s] also initially seen as a neg[a]tive factor, signalling poo[r] political sentiment an[d] increased offshore selling.

But the currency's weakne[ss] worsened after midday, ma[k]*ing shares cheaper for foreig[n]* investors, and equity pric[es] were *also bolstered* by son[e] local bargain hunting.

The gold shares index clos[ed] 31 down at 1,994, industria[ls] fell 67 to 5,696 and the over[all] index lost 32 at 4,935.

Anglos fell heavily in ear[ly] trade, shedding R10.25, or [...] per cent, to R194 befo[re] rebounding to R210 by t[he] close. JCI, the diversified mi[n]ing house, declined R2 [to] R85.50 but its restructuri[ng] plans found a broad welcom[e]

Political developments hold the key

By Michael Morgan

Political developments held the key in three of the world's emerging markets last week.

Istanbul, already sharply down since the beginning of the year, was the week's biggest loser.

The market became nervous when it decided that this Monday's local elections were a key test of whether the coalition government of Mrs Tansu Çiller, the prime minister, could be trusted to tackle the looming economic crisis.

The gloom was compounded as Standard & Poor's, the credit ratings agency, downgraded the country's debt and placed it on credit watch, suggesting that the rating might be lowered *even further.*

Mexico and Brazil both had bumpy weeks.

Mexico began firmly on a *combination* of political and interest rate considerations, *before the country was shaken* by Wednesday's assassination of *Mr Luis Donaldo Colosio*, the presidential candidate.

The market was closed on Thursday as a mark of respect *and it was left to Wall Street* to respond with a sharp fall before local investors returned in remarkably resilient form on Friday.

São Paulo shares recovered from worries early in the week about higher interest rates and rising inflation forecasts as speculation mounted that *Mr* Fernando Henrique Cordoso, minister of the economy, would run for president.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Mar 25 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: Mar 25 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America							
Argentina	(25)	931.50	+1.2	-6.3	571,594.55	+1.2	-6.3
Brazil	(57)	326.26	-0.5	+40.2	383,587,742.4	+8.5	+277.5
Chile	(25)	590.89	+0.6	+7.1	1,014.78	+0.1	+8.5
Colombia[1]	(11)	846.70	-2.1	+46.8	1,377.44	-2.0	+48.6
Mexico	(66)	919.96	+3.9	-8.1	1,323.42	+4.9	-1.4
Peru[2]	(11)	149.37	-2.7	+23.5	198.66	-2.7	+24.9
Venezuela[3]	(12)	732.93	-3.4	+23.6	1,920.10	-2.1	+35.1
East Asia							
China[4]	(18)	108.60	+5.2	-27.2	119.42	+5.2	-27.2
South Korea[5]	(156)	117.93	-3.7	-0.2	125.24	-3.5	-0.2
Philippines	(18)	254.70	-1.2	-25.2	333.45	-1.2	-24.9
Taiwan, China[6]	(90)	119.40	+1.2	-11.7	118.29	+1.2	-11.6
South Asia							
India[7]	(77)	122.66	-2.6	[illegible]	135.65	-2.8	+5.3
Indonesia[8]	(37)	100.27	-5.1	-19.6	116.87	-5.0	-17.6
Malaysia	(105)	248.10	-5.3	-26.6	249.08	-5.3	-26.1
Pakistan[9]	(15)	431.71	-1.0	+11.3	596.01	-0.9	+12.8
Sri Lanka[10]	(5)	210.84	-2.5	+19.0	225.11	-2.6	+17.6
Thailand	(55)	353.22	+4.3	-26.0	355.11	+4.4	-26.5
Euro/Mid East							
Greece	(25)	265.90	-0.9	+16.8	438.76	-2.3	+14.1
Hungary[11]	(5)	235.56	-1.1	+41.4	287.39	-2.6	+42.3
Jordan	(13)	175.44	-0.7	+6.0	253.73	-0.5	+6.0
Poland[12]	(12)	1,138.48	-7.6	+39.2	1,589.21	-7.7	+43.9
Portugal	(25)	135.17	+0.9	+18.8	159.98	-0.4	+15.8
Turkey[13]	(40)	95.34	-12.6	-55.2	971.96	-11.6	-33.2
Zimbabwe[14]	(5)	283.63	-3.3	+40.3	336.70	-3.6	+57.6

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 29 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 28 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	167.55	-1.3	166.42	109.72	145.26	157.88	-0.3	3.45	169.70	168.11	112.23	147.58	158.40	188.15	130.19	136.91
Austria (17)	184.71	-0.5	183.46	120.98	160.12	159.98	-0.9	0.97	185.58	183.84	122.73	161.39	161.46	195.41	139.63	143.89
Belgium (42)	168.09	0.1	166.96	110.08	145.71	142.41	-0.2	3.79	167.92	166.34	111.05	146.03	142.72	171.89	141.92	149.48
Canada (107)	133.35	-2.1	132.45	87.33	115.60	132.84	-1.5	2.53	136.15	134.88	90.04	118.41	135.40	146.31	121.48	123.97
Denmark (32)	265.09	1.3	263.31	173.60	229.81	237.08	1.1	0.98	261.74	259.28	173.09	227.62	234.55	275.79	199.97	199.97
Finland (22)	143.60	1.0	142.63	94.04	124.48	165.95	0.2	0.60	142.21	140.88	94.05	123.68	165.62	156.72	76.84	76.84
France (98)	172.96	-0.6	171.80	113.27	149.94	154.91	-0.9	2.90	174.05	172.42	115.10	151.37	156.26	185.37	149.60	163.56
Germany (59)	139.47	0.7	138.53	91.34	120.91	120.61	0.4	1.72	138.52	137.23	91.61	120.47	120.47	142.36	107.59	113.23
Hong Kong (56)	392.67	2.5	390.03	257.15	340.41	369.45	2.5	2.71	382.91	379.33	253.23	333.02	379.77	506.56	250.84	254.67
Ireland (14)	187.14	-0.4	185.88	122.55	162.23	183.17	-0.1	3.27	187.85	186.09	124.23	163.37	183.29	209.33	154.57	154.57
Italy (69)	80.19	-1.6	79.65	52.52	69.52	97.67	-1.9	1.75	81.49	80.72	53.89	70.87	99.61	81.49	55.21	56.55
Japan (469)	153.97	-0.2	152.94	100.83	133.48	100.83	-1.1	0.80	154.25	152.81	102.01	134.15	102.01	165.91	124.53	124.78
Malaysia (69)	452.69	1.6	449.64	296.45	392.44	466.38	1.4	1.62	445.40	441.23	294.55	387.36	461.78	621.63	279.15	280.11
Mexico (18)	2087.39	-2.9	2073.31	1366.96	1809.52	7656.70	-3.0	0.66	2150.05	2129.91	1421.86	1869.82	7891.00	2647.08	1431.17	1612.00
Netherland (26)	196.70	-0.5	195.38	128.82	170.52	169.35	-0.8	3.32	197.73	195.88	130.78	171.96	169.80	207.43	163.30	166.07
New Zealand (14)	64.22	-1.0	63.79	42.06	55.67	60.32	-0.5	3.86	64.89	64.28	42.91	56.43	60.59	77.59	45.71	46.16
Norway (23)	195.39	-0.7	194.08	127.96	169.38	192.74	-0.8	1.72	196.71	194.87	130.09	171.07	194.51	206.42	150.81	158.66
Singapore (45)	306.35	2.0	304.28	200.62	265.57	221.43	1.6	1.78	300.37	297.56	198.64	261.23	218.01	378.92	220.21	220.21
South Africa (60)	242.88	-1.9	241.24	159.05	210.54	253.22	-1.4	2.43	247.54	245.22	163.70	215.28	256.88	280.26	161.99	171.58
Spain (42)	142.06	-0.6	141.10	93.03	123.15	147.28	-1.1	4.02	142.93	141.59	94.52	124.30	148.84	155.79	116.33	128.72
Sweden (36)	205.60	-1.3	204.12	134.58	178.15	239.72	-1.4	1.63	208.23	206.29	137.71	181.10	243.07	230.02	158.27	159.04
Switzerland (49)	162.57	-0.8	161.48	106.46	140.93	143.05	-1.0	1.62	163.86	162.42	108.43	142.59	144.46	176.56	116.15	116.15
United Kingdom (215)	191.65	-0.6	190.36	125.51	166.14	190.36	-0.2	3.86	192.52	190.71	127.32	167.43	190.71	214.98	170.32	171.43
USA (519)	184.35	-1.6	183.10	120.72	159.81	184.35	-1.6	2.87	187.45	185.69	123.96	163.02	187.45	198.04	176.91	184.02
EUROPE (744)	167.05	-0.4	165.92	109.39	144.81	158.01	-0.5	2.90	167.72	166.15	110.92	145.86	158.76	178.58	141.51	141.75
Nordic (113)	202.66	-0.3	201.60	132.91	175.96	206.06	-0.5	1.38	203.63	201.72	134.66	177.09	207.20	220.60	[illegible]	149.78
Pacific Basin (722)	162.38	0.0	161.29	106.34	140.77	110.99	-0.6	1.09	162.37	160.86	107.35	141.22	111.88	168.80	129.03	129.24
Euro-Pacific (1466)	164.17	-0.2	163.06	107.51	142.32	129.42	-0.7	1.35	164.45	162.91	108.75	143.02	130.28	170.78	134.24	134.24
North America (626)	181.18	-1.7	179.95	118.65	157.06	180.76	-1.7	2.88	184.26	182.53	121.85	160.24	183.82	192.73	173.70	180.30
Europe Ex. UK (529)	150.08	-0.4	149.07	98.28	130.10	138.22	-0.7	2.33	150.65	149.24	99.63	131.02	139.12	155.73	122.37	123.20
Pacific Ex. Japan (253)	244.97	1.1	243.32	160.42	212.36	224.83	1.3	2.71	242.37	240.10	160.29	210.79	222.03	296.21	172.88	172.98
World Ex. US (1651)	165.30	-0.3	164.16	108.25	143.29	132.87	-0.7	1.87	165.77	164.22	109.63	144.17	133.65	172.51	135.19	135.16
World Ex. UK (1955)	168.59	-0.8	167.45	110.41	146.15	144.80	-1.2	2.05	169.98	168.39	112.41	147.82	146.50	175.56	148.64	148.64
World Ex. So. Af. (2110)	170.22	-0.8	169.07	111.47	147.56	148.04	-1.1	2.22	171.54	169.93	113.44	149.15	149.63	178.56	150.61	150.61
World Ex. Japan (1701)	181.45	-1.0	180.23	118.63	157.30	176.88	-1.0	2.83	183.35	181.63	121.25	159.45	178.72	195.20	164.42	165.88
The World Index (2170)	170.63	-0.8	169.48	111.74	147.92	148.87	-1.1	2.23	171.97	170.36	113.73	148.56	150.47	178.97	150.84	150.84

Latest prices were unavailable for this edition.